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IN ENGLAND AND WALES

JANUARY 1959

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CONTENTS

PROFESSIONAL NOTES

- 1 "Contracting Out"
- 2 New Year Honours
- 3 Audit of Friendly Societies
- 3 Resignations from the Institute Council
- 3 Nation of Shopkeepers
- 4 Accounting Contributions at the B.I.M. Conference
- 4 Business Efficiency
- 4 Pay Roll Deductions for Wife Maintenance
- 5 Stockbroking as a Profession
- 5 Restrictions by the Restrictive Practices Court

5 SHORTER NOTES

EDITORIAL

- 7 Convertibility

LEADING ARTICLES

- 8 The Acquisition of Companies—Current Developments and Procedures
- 13 Looping the Loop—An Experiment in Programming
- 15 On the Firm

TAXATION ARTICLES

- 16 Some Taxation Problems of Particular Interest in the Smaller Practice
- 21 Surprise for the Revenue
- 23 Surtax and Companies—X

TAXATION NOTES

- 24 Inland Revenue Concession—Profits Tax
- 24 Post-War Credits
- 24 Capital Allowances—Date of Expenditure
- 25 Back Duty
- 25 Basis Period for Capital Allowances on Change in Accounting Date
- 26 Tax in Mexico
- 26 Submission of Clients' Accounts to the Inland Revenue
- 27 New Issue of Tax Reserve Certificates
- 27 Tax Reports Supplement
- 27 Repayment Claims
- 27 RECENT TAX CASES

32 TAX CASES—ADVANCE NOTES

FINANCE

- 34 The Month in the City
- 35 Points from Published Accounts

LETTERS TO THE EDITOR

- 36 Should Goodwill of Accountancy Practices be Paid For?
- 36 Gilt or Chromium Edged?
- 36 Accounting Fun

READERS' POINTS AND QUERIES

- 36 Full Repairing Leases
- 37 Payments to "Tied House" Garages in Ireland

37 Deduction of Tax from Dividends

LAW

- 37 Legal Notes
- 38 An Accountant's Guide to Recent Law

THE STUDENT'S COLUMNS

- 40 Auditing in Practice
- 42 Assessments of Married Couples

44 NOTICES

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

- 44 Meetings of the Council
- 47 Finding and Decision of the Disciplinary Committee
- 47 Taxation and Research Committee
- 49 Members' Library
- 50 Professional Standards and the Conflict of Ideas
- 51 Dinner of the Chartered Accountant Students' Society of London
- 52 Progress by Experiment
- 52 Women Chartered Accountants' Dinner
- 53 An Objective View of Accounts
- 53 Bradford Students' Dinner
- 53 District Societies
- 54 Union of Chartered Accountant Students' Societies
- 54 Students' Societies
- 54 Forthcoming Events
- 57 Personal Notes
- 58 Removals

Professional Notes

"Contracting Out"

THE EMPLOYER, and not the individual member, should decide whether to "contract out" or not. That was the proposal of the Government in the White Paper on its pension plan last October, and that is also the provision in the National Insurance Bill now published. The employer will be able to contract a private pension scheme out of the national scheme only if the private scheme gives the employee rights no worse than he would have got if he and his employer had paid maximum contributions to the State scheme during the employment period, notwithstanding that the employee may leave the contracted-out employment before reaching the minimum pensionable age. The pension rights must

be preserved, in a way that the Bill spells out, for the employee who leaves, otherwise the employer will have to buy graduated pension rights in the State scheme for the period of the contracted-out employment.

The rights obtainable under the State scheme are, basically, rights to additions to the flat-rate weekly pension on the scale: 6d. for each £7 10s. 0d. of graduated contributions paid by a man or for each £9 paid by a woman (an equal amount in contributions having been paid by the employer). Provision is made for increases in contributions, and in the corresponding pension benefits, in 1965 and at three quinquennial intervals after then.

The Bill provides that if a private scheme gives pension rights no worse than those of the



Mr. C. F. Gothard, O.B.E., B.Sc., F.C.A.

graduated national scheme, but not rights that are transferable, the employer shall be able, if he so decides, to modify the private scheme to make it transferable, either in full or up to the equivalent of the rights under the State scheme, thus making it possible to contract out of that scheme.

Another provision of particular concern to the accountant in industry is that the Bill provides for contributions to the graduated part of the State scheme to be collected through P.A.Y.E. and the Inland Revenue. Contributions to the flat-rate part of the scheme will, however, continue to be paid as at present, though provision is made for them also, and the other National Insurance contributions, to be collectible through P.A.Y.E. if the extension is later decided upon. Liability for graduated contributions will normally be calculated on the same figures of gross pay as those used for P.A.Y.E.

The original proposal was for an Exchequer contribution of £170 million a year, but the Bill provides for the sum to be geared to the amount of individual contributions, with a minimum of £170 million. It is expected that, in consequence, ten years after the beginning of the scheme in 1961 the State will be paying in about £177 million a year, rising to about £203 million ten years after that.

New Year Honours

THE NEW YEAR Honours list had a goodly proportion of chartered accountants in the higher reaches—out of twenty-nine new knights three are members of the Institute of Chartered Accountants in England and Wales. We extend our congratulations to them.

Mr. Clifford Frederic Gothard, O.B.E., B.Sc., F.C.A., who is to become a Knight Bachelor for political and public services in Burton-on-Trent, is sole partner in Coxon, Bannister & Gothard of that town. After obtaining a degree in mechanical engineering at Birmingham University, he served in the first World War, finishing with the rank of captain, and afterwards became a member of the Institute. He helped to form the Chamber of Commerce in Burton,



Photo: Fayer

Mr. W. E. Sykes, M.C., F.C.A.

Mr. Pode served in the Royal Navy and in 1926 started his career in the steel industry with *Guest, Keen & Nettlefold*. He is a member of the executive committee of the British Iron and Steel Federation and of the grand council of the Federation of British Industries, as well as of other organisations in the fuel and steel industries. His latest appointment is that of vice-chairman of the newly formed Development Corporation of Wales. He has been High Sheriff of Glamorgan, became a J.P. in 1951, and is a Freeman of Port Talbot.

Mr. William Edmund Sykes, M.C., F.C.A., who also receives the honour of Knight Bachelor, is a member of the Court of Common Council of the City of London, having represented the Coleman Street Ward for twenty-one years. For seven years he has been chairman of the Coal and Corn and Finance Committee, which is responsible for expenditures out of the private estates of the City. In World War I he received the Military Cross as an immediate award. For nearly five years Mr. Sykes has been a deputy chairman of the Hampstead Bench, on which he has sat for fourteen years. He was formerly a partner in Turquand, Youngs & Co., Chartered Accountants, and now holds a number of directorships in public companies.

We congratulate the Hon. Geoffrey



Mr. E. J. Pode, A.C.A.

and for many years has been active in the work of Chambers of Commerce at the local, national and international levels. He is a Justice of the Peace for the county borough. Much of his time has been occupied with the Conservative Party and (largely unpublicised) with charities. He holds a number of directorships in public companies.

Mr. Edward Julian Pode, A.C.A., who is also to become a Knight Bachelor, is managing director of the *Steel Company of Wales, Ltd.*, and a director of other public companies. During the first World War

Eliman-Brown, O.B.E., F.C.A., formerly a Member of the Executive Council, Southern Rhodesia, and at present representing the Government of Southern Rhodesia on the Board of Directors of the Rhodesian Iron and Steel Company, upon becoming a Companion of the Order of St. Michael and St. George.

We also have pleasure in congratulating on their receiving the Honour of Commander of the Order of the British Empire, Mr. Henry Patterson Carse, D.S.C., V.R.D., A.C.A., for services to the United Kingdom community in East Pakistan; Alderman Clifford Alfred Harrison, O.B.E., F.C.A., a member of the National Savings Committee representing the north-eastern region; Mr. Reginald Jack Hayward, R.D., F.C.A., a member of the Court of Common Council, City of London; Mr. Cecil William Hodges, M.B.E., A.S.A.A., Controller and Auditor General, Kenya, and Auditor General, East Africa High Commission.

Mr. Leslie William Spratley, A.C.A., who is the accountant to the Coal Merchants' Federation of Great Britain, we congratulate on becoming a Member of the Order of the British Empire.

Audit of Friendly Societies

THE AUDITOR OF a society registered under the Friendly Societies Acts qualified his certificate to the annual return of the society by referring to a special report in which he said that under instructions from the executive committee he had not made a test examination of collectors' books, as authorised by a general meeting, but had relied upon area and departmental returns, accepting the certificates given by lay auditors (who were members of the society) for cash-in-hand at area offices.

In Part 2 of his *Report on Friendly Societies for the Year 1957* (Her Majesty's Stationery Office, 3s. net) the Chief Registrar of Friendly Societies says that the auditor of a registered friendly society is required by statute either to sign the annual return as found by him to be correct, duly vouched and in accordance with law, or to report specially in what respects he found it incorrect, un-

vouched or not in accordance with law. It is for the auditor to decide what checks to impose, having regard to all the circumstances, to enable the certificate to be given. The Registrar continues:

The auditor has a statutory right of access to all the books and accounts of the society and it is not proper for a society or its committee to withhold books and accounts from the auditor or to restrict him in his examination of whatever he considers necessary for the purpose of his audit. An auditor should ensure that the necessary books are made available to him for whatever checks he requires to make for this purpose. In the Registrar's opinion it is not in compliance with the statute for an auditor merely to indicate in a special report to what extent he has not carried out a complete audit. A special report is intended for the information of the society's members and not to justify any limitation in the scope of the audit.

In Part 1 of his Report (Her Majesty's Stationery Office, 3s. net) the Registrar gives statistics of the fees and charges of approved auditors of societies registered under the Industrial and Provident Societies Acts and under the Friendly Societies Acts. The figures for 1957 for approved auditors holding "general appointments" (being members of one of the recognised bodies of accountants) are:

	No. of societies audited	Audit fees £	Additional charges £
Societies under Industrial and Provident Societies Acts ..	6,131	323,630	65,995
Societies and branches (excluding collecting societies) under Friendly Societies Acts ..	6,215	89,663	28,550
Collecting societies under Friendly Societies Acts ..	101	15,713	648

Resignations from the Institute Council

TWO RESIGNATIONS FROM the Council of the Institute of Chartered Accountants in England and Wales have recently been received with regret—that of Mr. Harold Garton Ash, O.B.E., M.C., F.C.A., at the Council meeting last month, and that of Mr. James Blakey, F.C.A., at the meeting this month. Both are past Presidents of the Institute.

Mr. Garton Ash is senior partner in James, Edwards & Co., Chartered Accountants, London. He became an Associate of the Institute in 1906, a Fellow in 1919, and a member of the Council in 1938. He was Vice-President for 1949/50 and President for 1950/1. In 1952 he served as Chairman of the Council of the Sixth International Congress on Accounting held in London.

Mr. James Blakey is the senior partner in Litton, Pownall, Blakey & Higson, Chartered Accountants, Manchester. Mr. Blakey was admitted an Associate of the Institute in 1913 and was elected a Fellow in 1922 and a member of the Council in 1937. He served as Vice-President for 1952/3 and as President for 1953/4. He had been Honorary Secretary of the Manchester Society of Chartered Accountants for a period of six years and President for the years 1933 and 1934, while for 1936/7 he was President of the Manchester Chartered Accountants' Students' Society.

Nation of Shopkeepers

THE SMALL SHOP at the corner of the street is still a feature of Great Britain. In 1957 there were over 480,000 independent shops, mostly small ones—one to every ten of the population. But there were fewer independent retailers than there had been in 1950, when there were practically half a million. Multiple and co-operative shops both became more numerous over the seven years—in 1957 there were 62,000 multiples (against some 57,000 in 1950) and nearly 29,000 co-operatives (against less than 26,000).

The figures for 1957 come from the first results of the census of distribution for that year, published by the Board of Trade.

The independent shops, which accounted for 65 per cent. of total retail trade in 1957, had increased their turnover over the seven years since 1950 by 45 per cent. but had lost ground to the multiples and co-operatives, for total trade increased by 53 per cent. The total sales in 1957 were £7,800 million.

There was a conspicuous growth of self-service trading after 1950;

it then amounted to only £17 million, but in 1957 it was not far short of ten times that figure. Mail-order trading also developed markedly, from some £50 million to about £130 million.

The census produces useful data on wages, stocks, purchases, gross margins and sales analysed by commodity groups: these statistics are not contained in the first results but will be published later. The first results were produced more speedily than usual by the use of a National-Elliot 405 computer. An article in the *Board of Trade Journal* for January 2, 1959, giving the first results also describes how the computer was used.

Accounting Contributions at the B.I.M. Conference

ACCOUNTING IDEAS AND techniques took a prominent place in the papers on the theme *Challenge of Change* at the recent National Conference of the British Institute of Management. From the rich collection of contributions we pick three morsels.

In his paper on *Forecasting and Controlling the Return on Capital Employed*, Mr. J. A. Scott, C.A., F.C.W.A., listed the uses of the return on capital employed, with its component parts and their relationships. His list was:

- (a) To compare results of a business with what is happening in the industrial and commercial world around;
- (b) to keep an internal check on the trend of the results;
- (c) to make internal comparisons between one producing division or department and another;
- (d) to provide an internal check on the comparative profitability of different products or product groups;
- (e) to forecast and test the profitability of new products;
- (f) to forecast and test the profitability of new plant.

Speaking on *Cost Accounting in Conditions of Automation* Mr. A. Kenyon summarised his conclusions so:

- (a) Automation implies that operating conditions are predetermined and there are thus fewer deviations, making cost control easier.

- (b) The investment of resources in a set up which is relatively inflexible and which involves much preparatory work means that it is highly important that the initial decision should be sound. The greatest contribution of the cost accountant lies in the guidance he can offer at the initial stage.

- (c) Automation will place an additional strain on the plausibility of the conventions and procedures of costing, which will have to be subjected to searching inquiry.

After discussing the varied needs of businesses for funds and the ways in which the needs could be met, Mr. J. B. Kinross, in a paper on *Financing Industry*, said that he did not think the industrial holding company would continue to advance. Industry was becoming more complex and therefore more specialised, making the argument for diversification in industry somewhat specious. Perhaps the best of the holding companies would gradually change in structure, specialising in some industry in which a cohesive pattern could be evolved. Mr. Kinross went on to say that the urge of directors in concerns with surplus funds to acquire a number of diversified businesses was unsound because it, also, offended against the principle of specialisation. In the long run it would be wise if the impulse were resisted and the surplus returned to shareholders.

Business Efficiency

LAST MONTH THERE was issued to members of the Institute a forty-five page set of notes (to be included in the *Members' Handbook*) on *Business Efficiency*.

The notes amount to a comprehensive statement of the very numerous ways in which the accountant can contribute to the efficiency of a business, in specifying the sources of information and selecting it, in supervising the collection and analysis of the information and preparing from it reports for management, in commenting on the results shown by the statements, and in formulating standards against which to measure efficiency. The range is shown by the chapter heads of the notes: materials; labour; fixed assets;

control of expenditure; sales and distribution; volume of output in relation to cost; price determination; return on capital employed; financial management. The range of the notes under each chapter may, again, be illustrated by the section headings. For example, in the first chapter, on materials, they are: stocks of materials; physical check; receipt, storage and issue of materials; use of materials; indirect materials; packing materials, scrap disposal; insurance.

With the book *Standard Costing: An Introduction to the Accounting Processes*, published by the Institute in March, 1956, the notes not only form a primer for the accountant entering industry and a guide to many already in it, but should help to remedy the state of things in which (to use the words of the preface) "many of the methods and procedures are by no means widely adopted in many businesses where they could be of immediate help towards better information and control for management purposes."

Pay Roll Deductions for Wife Maintenance

UNDER THE Maintenance Orders Act, 1958, which is effective on February 16, employers may have to make deductions from the earnings of employees who are in arrears with maintenance payments. On receiving an attachment order, an employer must deduct the "normal deduction rate," specified in the Order, from the "relevant earnings" of the employee—total earnings, less deductions for P.A.Y.E., National Insurance and superannuation—provided the man is not left with less than his "protected earnings," which are governed by another rate, given in the Order, and take into account all the man's financial commitments. The employer will pay the deductions (which will cover current liabilities for maintenance as well as arrears) to a court official for transmission to the person entitled to the maintenance.

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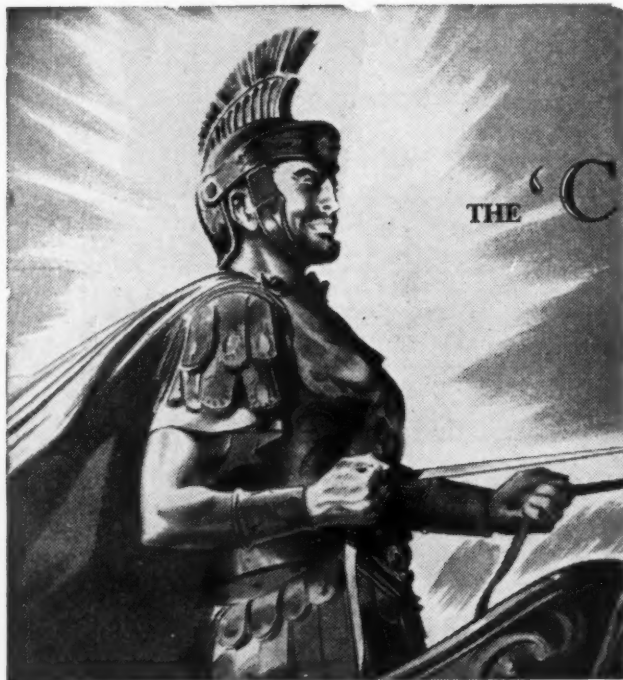
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For each deduction made from the pay roll on an order, the employer will be entitled to deduct another sixpence towards his expenses. As we have suggested before: will this precedent eventually be applied to P.A.Y.E.?

There has just been published a Home Office booklet explaining the obligations of employers under the Act—*Attachment of Earnings Orders* (H.M. Stationery Office, 1s. net).

Stockbroking as a Profession

THE LONDON STOCK EXCHANGE has been considering whether there could be set up a system of qualifying examinations for stockbrokers. Lord Ritchie, the Deputy Chairman of the London Stock Exchange, gave this piece of information, which had been "more or less an open secret," when he spoke last month at the annual dinner and dance of the Association of Certified and Corporate Accountants.

A great many of them in the Stock Exchange had the habit, he confessed, of talking of the profession of stockbroking; they were, strictly speaking, not a profession, but many of them would like to make stockbroking into a profession, and the system of qualifying examinations would have that objective. If stockbroking were really a profession, with London as the principal stock exchange linked with the other exchanges all over the country, they would be able to speak with a united voice and with authority.

Lord Ritchie admitted that there were great difficulties in providing a proper qualification for members of the stock exchanges. He continued: "I think, with respect, that in the case of the accountancy profession—perhaps also in the legal profession—the qualifications are, in the main, factual. Now, as far as my job is concerned, given that you are honest, given that you have some idea of reading a balance sheet, and have some idea of the prospects of an industry, that is all to the good, but what really makes a good stockbroker is the man who has the flair, who has the nose for the right share to buy on the right day, and that is

a very difficult thing for anyone to qualify for."

Restrictions by the Restrictive Practices Court

THE RESTRICTIVE PRACTICES Court thinks that economists and accountants should be less in evidence before it than they have been. The President of the Court, Mr. Justice Devlin, recently said that a number of the members of the Court were familiar with economic and accounting matters, and those who were not had learnt a great deal during the past term. Economists and accountants should confine their evidence to the specific issues on the investigation they had made.

It seems a pity that so early in its history the Court should have issued so emphatic a direction. The ramifications and consequences of restrictive practices are not so well understood as all that even by professional economists, and what experience there has so far been of applying accounting data to the problems has been largely confined to the Monopolies Commission.

Also, the Court considered that there had been more trade witnesses than were necessary, and a second trade witness on a particular question was unnecessary unless he could speak from a different angle. Further, experience had shown that it was impossible to expect counsel to cross-examine trade witnesses if their evidence had been heard for the first time that day: time would be saved if proofs of trade witnesses were exchanged. That procedure indeed seems economical and unexceptionable, but the further suggestion, that a witness's proof of evidence, having been supplied to the Court, should be taken as his examination in chief appears unfortunate. Examination in chief needs to be reported in the newspapers if an undistorted impression of the case is to be gained, and proper publicity on trials of restrictive practices is in the interests of consumers and producers alike.

The case in which his Lordship made some of these directions was *In Re Five Millers' Agreements*. Application had been made to the

Court by the Registrar about schemes of deferred rebates for big buyers of home milled flour sponsored by trade associations.

Counsel for the Registrar, applying for a formal order for the exchange of proofs of evidence of expert witnesses, had informed the Court that a joint cost investigation was being carried out by accountants on both sides, and that it would take until Easter to prepare their agreed report, though the accountants expected to have all the figures before them by the end of January. It had been agreed that proofs of evidence of economists and accountants should be exchanged ten days before the date of the hearing.

Counsel for the respondents had said that the trade associations were anxious that they should have sufficient time to be able to present their case properly to the Court. In arranging a joint investigation of costs and profits in the industry, their intention was to shorten the hearing by preparing an agreed report. The 1956 Act was hard on respondents; the burden was on them, and their evidence was necessarily the more voluminous.

Shorter Notes

P. D. Leake Trust

The P. D. Leake Trust made grants during the year ended October 31, 1958, for the P. D. Leake Professorship of Finance and Accounting in the University of Cambridge and for a research project of the Royal Institute of Public Administration. No grants were made that year for P. D. Leake Fellowships, since two years' grants had been made during the previous year. The sixth report of the P. D. Leake Committee, issued last month with the report and accounts of the P. D. Leake Trust for 1957/58, states that the Committee is not able to contemplate any further long-term commitments while the Professorship and the Research Fellowships continue, but that in appropriate circumstances it would be able to consider making short-term grants of small amounts for other purposes. At October 31, 1958, the accumulated income fund was £49,393 (compared with £43,401 a

year previously). The capital fund, taking securities at probate value or cost, was £114,677 (against £114,403), but at middle-market values would have been £170,529.

Summer Course of Institute

The next Summer Course of the Institute of Chartered Accountants in England and Wales will be held at Christ Church and Merton College, Oxford, from July 9 to 14 this year. Papers will be given on *Business Efficiency: The Part of the Accountant*, by Mr. C. I. Bostock, M.A., F.C.A.; *Accounting by Electronic Methods, with Particular Reference to the Auditor*, by Mr. J. W. Margetts, F.C.A.; and *Some Practical Aspects of Death Duties*, by Mr. B. G. Rose, F.C.A.

Extension of "the Little Health Service"

The *British United Provident Association*, sometimes called "the little health service", now has an optional addition to its standard scheme to give cover for private treatment by a general practitioner. (The standard scheme provides protection for hospital, nursing home and specialist charges.) In our issue of July, 1958 (page 329), we gave some particulars of the Accountants' Group of the B.U.P.A., subscribers to which can obtain membership on terms well below those available to individual subscribers.

New Edition of Customs Tariff

A new standard classification of goods for tariff purposes, known as the Brussels Nomenclature, having been internationally agreed, the customs and excise tariff is now published in a new version conforming with the nomenclature. Importers should know about the change of tariff, so that by entering goods for customs purposes in the correct manner they can avoid difficulties in clearing the goods through the ports. The new tariff can be obtained from H.M. Stationery Office or through any bookseller at 12s. 6d. net.

Liquidation of a Company

The *Mias* group of companies, which offered high rates of interest on deposits but later went into default on the interest, failed to meet withdrawals and postponed the issue of accounts, is going into voluntary liquidation. It afforded a particularly bad example of the abuse of the system of deposits of funds. A number of small creditors of the group had asked the Board of Trade

for advice and had been told that their best procedure under the Companies Act of 1948 was to petition the court for a winding up order. The Board added:

If the companies go into voluntary liquidation, the Act requires them to call meetings of creditors. The appointment of a liquidator . . . rests with the creditors who attend these meetings. It is the usual practice to appoint a firm of accountants. In case of difficulty, or disagreement between the persons responsible for the appointment of a liquidator, it is not unusual for the President of the Institute of Chartered Accountants in England and Wales to be asked to nominate a liquidator and this he will usually do. It would still be open to any creditor to petition the court.

"The Accountant" Awards for 1959

The closing date for entries for the awards made by *The Accountant* is January 31. Reports and accounts submitted should be those laid before companies in general meeting within the year ended December 31 last. One award will be made to a large company and another to a smaller company with accounts less complex than those of a large group. The awards are made for the form and content of the accounts, particular importance being attached to the adequacy and presentation of the information.

Payment of N.I. Pensions through Banks

From the beginning of February, people receiving retirement pensions from National Insurance can be paid quarterly in arrears by crossed postal drafts payable into the pensioner's bank. An application form and an explanatory leaflet are obtainable from local Pensions and National Insurance offices.

Actuaries Improve their Statistics

At the beginning of each year the life offices put out figures of sums assured written in the past year, usually hitting all-time records. Now at last they are coming to accept that the totals of sums assured have little statistical meaning (and surely actuaries ought to be statistically minded!). In particular, the pension policy cannot be expressed in like terms to a life policy—and pensions are in fact a growing part of the whole business. Also, to add together the sums assured of different kinds of life policies is to add unlikes. New premium income, a better measure of the trend, is now given greater prominence by the offices. Last year the total in the ordinary

branch was about £100 million or some 12 per cent. more than in the previous year; in the industrial ("home service") branch it was £23.4 million or about 6 per cent. up. Both totals are records.

New Quarterly on E.D.P.

A quarterly journal specifically designed to enable senior managers and executives to come to grips with electronic data processing is published by *Iliffe & Sons, Ltd.*, under the title *Data Processing*, at a subscription rate of £4 a year, or 25s. per issue. The range is wide, as can be seen from the articles in the first issue, which appeared this month—they cover computing services on a hiring basis; a description of the first automatic reading machine to operate commercially; a simple explanation of the binary system; a description of the arithmetical operations of a computer; a simplified technique of programming; a review of the computers available; a study of wage accounting and labour costing; a description of photo-electric techniques (xerography) for printing computer output; and a survey of quality controls in industry by electronics. The journal is extremely well illustrated and while there is no writing down to the reader the articles are not highly technical.

The Big Five Stakes

Twelve days from the end of the accounting year to the publication of the accounts is pretty fast going for a bank carrying nearly £1,700 million. *Barclays* certainly wins the "Big Five" stakes this year on speed and it must be a favourite on appearance too. The report and accounts look like a small handsomely-designed book, with a companion small book, in similar design, carrying the address of the chairman, Mr. Anthony Tuke. His address is written in a flowing style which befits the book form (as well as the speed of production). The design of the two small books is by Sir Francis Meynell, the eminent typographer.

Tax Relief on H.P. Charges

Representations have been made to the Chancellor of the Exchequer by the *Industrial Bankers' Association* for the granting of relief from income tax on charges made by finance companies under agreements for hire purchases and credit sales of goods to be used for private purposes (as distinct from goods for business purposes, for which the charges attract relief).

EDITORIAL

Convertibility

RIDING proud and free" and "looking the dollar in the face" are emotive catch-phrases. But emotion is not always to be completely written off and when the newspaper headlines express, as they did at the year-end, the desire for economic stability and solidity, symbolised in a strong pound sterling, it is something to be respected. The declaration of "convertibility" of sterling certainly has great psychological importance. However, the prime question, to which the answer comes less readily, is whether it has comparable economic importance. Is it good or bad for the British economy—or perhaps of a greyness in between?

We have put the word convertibility within inverted commas. In the catch-phrases there was no reservation upon the freeing of the pound, but in cold fact there are big reservations. Convertibility, unlike charity, begins abroad. Pounds coming into the hands of those living outside the sterling area are convertible into dollars (or any other currency, or gold) at will; it is "as you were" for the rest.

There is another limitation. What has been done is to merge dollar account sterling with transferable account sterling, to make the two kinds of externally held sterling into one. But both kinds of sterling could be exchanged into dollars before the December declaration. What, then, did the declaration do, how did it bring sterling nearer full convertibility? The answer lies in the enhanced status it gave to transferable account sterling. Dollar account sterling—that is, sterling coming into the hands of those within the dollar area—could already be freely exchanged for dollars or other currencies on the official market and at rates within very narrow limits. In distinction to dollar account sterling, transferable account sterling—that is, sterling coming into the hands of those outside the dollar and sterling areas—could be exchanged only in unofficial markets in places like Zurich, New York and Tangiers—and, moreover, at a rate which was rather worse than the official rate for dollar account sterling. What the December move did was to bestow upon transferable sterling the respectability of dealings in the official market (particularly, London) and to narrow the limits within which it could fluctuate.

A further technicality. Despite its not quite respectable character, transferable sterling had nevertheless received the support of the British authorities for nearly four years. In other words, the rate for transferable sterling had not been allowed to slip beyond a certain modest amount, being prevented from any further depreciation by sales of gold or dollars from the British reserves. The banner

headlines and the newspaper catch-phrases should really have made their dramatic appearance in 1955, when it was quietly decided to support transferable sterling in this way. For the crucial move towards convertibility was precisely that decision to use the reserves, as necessary, in defence of transferable sterling. Essentially, it was but a short step from there to the declaration of last month.

It is argued by some that the degree of convertibility we have now achieved carries undue dangers. One danger in particular—that while large funds will flow to London, they will be funds of high fluidity, which will flow out again at the first sign of any difficulty here, causing heavy drains on our reserves. That there is some risk of this nature cannot be denied. We have just to ask whether the risk is worth taking. The answer that the Government give cannot be better put than it was put some days ago by Mr. Reginald Maudling, the Paymaster General, at a luncheon of the London and District Society of Chartered Accountants. He said:

There seems to be a fundamental misunderstanding in some quarters about what underlies the strength of sterling. The international value of sterling depends wholly upon the assessment made of it by foreign holders. Whatever a doctrinaire government might be able to do in the way of compelling residents of this country, no government can possibly compel foreigners to hold sterling unless they wish to do so. They will hold it only in so far as they judge it to be a strong currency and one worthy of their confidence, and, in making this judgment—I think that this is an important and possibly new point—they will compare it with the other major international currencies. By merging the two forms of external sterling we have given greater confidence to external holders of sterling. As for the pressures that may arise at some future date through circumstances now unforeseeable, in fact it is technically easier, if necessary, to defend one rate for sterling than to try to defend two rates, which is what we have been doing for several years now. The criticisms of the concerted move towards convertibility in Europe, therefore, which are based on the few possible difficulties, fail by reason not only of their pusillanimity but also of their misunderstanding of the facts.

Mr. Maudling, emphasising that the move was a concerted one with other European countries, went on to describe it as a great contribution to the general freeing, not only of European trade, but also of world trade. In the broad, the case of those who want convertibility of currencies is, indeed, that without it industrial specialisation among countries must be impaired and that international specialisation brings the greatest economic good of the greatest number.

Our contributor gives practical advice on a subject of topical interest and professional concern. Attention is focused on the changing pattern of the law, practice and procedure of acquiring companies.

The Acquisition of Companies— Current Developments and Procedures

by Reginald O. A. Keel, A.C.A. (Secretary, Thomas Tilling Limited)

Introduction

THERE SEEMS LITTLE doubt that we are faced with a situation in which, for good or evil, a large number of businesses carried on in the United Kingdom in the shape of limited liability companies are tending to become merged in larger and larger groups.

Up and down this country many executives and professional men will be called upon to face the implementation of mergers of one sort or another. Acquisition of interests is one side of the coin—and their disposal is the other side. In my view the greater responsibility lies on the side of the acquirer and his adviser.

Very little consolidated information on acquisition is available, and to those who have to struggle with its problems—perhaps at extremely short notice and with little time to spare for contemplation—it is hoped that this article may be helpful in passing on a few lessons learnt the hard way.

Any lengthy references to the methods of the forced takeover mystique have been omitted, as there is a growing literature on these bids, both in article and book form. My emphasis is on the less familiar aspects of acquisition.

The prudent and careful buyer will decide upon acquisition only after the most searching scrutiny of the present and probable future quality of management, and only when a basis of willing buyer and willing seller has been established. In these circumstances the utmost faith and goodwill will be generated between the managements of the future parent and subsidiary—something that is particularly valuable if the subsidiary is to be responsible for the day-to-day running of its own affairs, even with the constant encouragement, help, guidance and financial support of its parent.

Types of Acquisition

Acquisitions fall into three categories in terms of extent:

(a) *The minority interest* of 50 per cent. or less in the

equity can essentially be classed as a pure share investment. Purchase may have been made of 25 per cent. or more from family interests to assist the vendor's estate duty and surtax problems. Board representation for the acquirer may or may not be forthcoming. Management and its problems are likely to remain wholly the concern of the family. Dividends received by the acquirer will be the basis of accounting, for the underlying profits, not being controlled, will be excluded from any form of consolidation with the profits of the acquiring organisation.

(b) *The majority interest* in the equity is the usual means of control (minority interests giving control through powers of appointment of directors are a rare feature). Majority interests may arise directly or through existing subsidiaries or by conversion of minority interests through additional purchases. Board representation for the parent is common and desirable. The responsibility for the solving of management problems will be shared according to the degree of participation in the eventual remedy—that is, whether it is local or central. Accounting is on the basis of profits earned, although such dividends as are distributed will affect the ability of the parent company itself to distribute.

(c) *The wholly owned subsidiary* (which may or may not include the ownership of any preferential or loan capital) implies, when purchased, either a management which has never had a proprietary interest or a management by former owners who are willing to continue in executive responsibility without a stake in the business, a condition that occurs fairly infrequently.

Acquisitions may also be analysed thus:

(i) *Private or public companies*—Private companies will normally be acquired by private treaty, perhaps from a few individuals only. Public company acquisition—where shares are quoted on stock exchanges—can be partly by private treaty (say from a few individuals with a majority holding) and partly by public offer. Offers to shareholders

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IR

generally, after undercover buying to an extent which will give a significant stake (not necessarily a controlling one) in the company, is the essence of the takeover. General offers, with no control already guaranteed, often invite the enquiry of other would-be bidders and the situation can soon degenerate into a bidding match with all its attendant publicity, advantages and disadvantages.

(ii) *Going and thriving concerns, or "development" projects*—The development project demands management power of suitable calibre, and it may not be available except through an existing organisation possessed by the acquirer.

(iii) *Domestic or oversea*—Acquisitions overseas demand either an existing supervisory set-up for the territory concerned, directly or through branches or subsidiaries, or sufficient and adequate personnel to visit, to keep liaison, to take executive action and report. The spread of interests within the United Kingdom carries similar problems, but on a smaller geographical scale.

(iv) *Direct acquisitions or subsidiary interest acquisitions*—If the character of a business is different from that of the acquirer but possesses an existing and efficient management team and an effective organisation, it may be acquired as a direct subsidiary. Other purchases must be seen to fit into the existing organisation of the purchaser, and such acquisitions could well include a development project, a tax-loss company (which is capable of being worked in successfully), or companies owning assets that can be converted to good industrial account.

Conditions Pre-requisite for Acquisition

Assuming that a decision has been made that the acquisition is of an appropriate type to the circumstances, pre-requisite conditions for acquisition (excluding the tax-loss and "convertible asset" company) can be summarised as follows:

(a) The company should be profit earning, and of the right size. If the company fits into the existing trade of the acquirer, the size of the profits and of the organisation may not be of paramount importance. However, in other cases it is essential that a minimum standard be set, to which the acquired concern should be required to conform either now or within the foreseeable future. If the group is intended to be balanced in its diversity (and diversification is a goal towards which many strive in order to even out the variation in fortune of different trades) then an upper limit should also be set. These limits should be flexible and vary as the group grows and as trade conditions dictate.

Standards should be firstly of estimated maintainable future profits per annum (before tax, but after all other charges) and secondly of the probable total eventual cost of investment. Investment must include not only the immediate cost of the capital purchased, but also loan capital to be provided and development capital to be sunk over the next few years.

(b) Both world and national economic circumstances must be generally favourable to the acquisition.

(c) Trade conditions and prospects in relation to the particular acquisition should appear progressive.

(d) The character of the business to be acquired should be expansionist and forward-looking.

(e) The acquisition should possess a good management team, unless the acquiring organisation has available management capacity. The team should be comprehensive, fully experienced and qualified, and have made arrangements for succession. It should also be prepared to work with and for the new group, and be attuned to the benefits of group association.

(f) The usual accounting checks will be imposed on the financial position and results of the acquisition. Accuracy of the records produced, and the solvency, liquidity and capital structure of the concern should be established.

(g) The heaviest emphasis must be placed upon profit-earning capacity, for this is the factor which will form the basis for the business valuation. However, consideration should also be given to the physical condition and extent of the fixed assets employed. Overcrowded factories, poorly sited premises, badly maintained buildings and machinery, lack of room for expansion, or a substantial excess of a profit-earning valuation of capital over balance sheet net asset values could all, *prima facie*, weigh against an acquisition. Large goodwill figures are not in themselves a deterrent but they do imply greater capital risk and the need for ensuring continuity of management and "know-how." Market valuations of fixed assets and other items are not always essential, but if available for fixed assets should be used to assist in the valuation assessment.

Fiscal Considerations

Taxation in all its various forms urges many a business owner to consider the advice of his professional helpers (be they accountants, solicitors, or others) on the most advantageous methods of minimising the erosion of his capital.

(a) Surtax

Surtax on companies, and its anticipation, has set many business proprietors on the road to the sale of a part or the whole of their share interests. Surtax clearance for a company, whose shares are to be the subject of a sale, represents the disposal of one of the more usual of the various preliminary obstacles to transfer. If clearance is difficult or likely to be delayed, and the transaction must be completed with despatch, then the acquirer should obtain written indemnity from the vendor against possible surtax liabilities arising under Section 245 of the Income Tax Act, 1952. By selling part of the interest in a company liable to surtax, accumulated reserves are released in the form of capital (not subject to surtax), while the risk of an assessment on the company is eliminated for the future.

(b) Estate Duty

Erosion takes its most severe form in the estate duty. The sale of an interest, giving a publicly-owned company control of 25 per cent. or more of the equity, will broadly provide protection from the ravages of estate duty. However, circumstances may exist, which may not have been revealed, which carry with them the danger of assessment

on the company, and it is only fair that an indemnity should be obtained from the vendors for any possible estate duty leviable upon the assets of the company. Indemnities are only as good as the people who give them, and all appropriate enquiries should be made to establish that the vendors are reputable persons of substance.

(c) Stamp Duty

The acquisition of at least 90 per cent. of the issued share capital of a company by another company in exchange for its own shares is a situation in which a saving of stamp duty may be achieved. Section 55 of the Finance Act, 1927, as amended, is the main legislation concerned. Reference to the Section reveals that stamp duty is saved on the instrument of transfer of the acquired shares in question as well as the 10s. per cent. duty on the share capital which the acquiring company uses for the consideration. The use of cash or renounceable letters of allotment as the consideration takes the transaction outside the exemption. The acquired shares must, it should be noted, be held in its beneficial ownership by the acquiring company for at least two years after purchase. Stamp duty can also be saved by arranging that the shares to be acquired shall consist either partly or wholly of bonus shares to be issued out of reserves. These bonus shares are allotted to the vendors, who nominate them to the acquirer "without stamp".

Investigation Procedure and Report

Contact between buyer and seller is curiously enough restricted to a number of well defined channels, in the following categories:

(a) Business brokers, bankers, accountants, and occasionally stockbrokers, whose clients wish to sell an interest in their businesses.

(b) Personal contact, when members of the acquiring organisation are already known to the sellers.

(c) Direct approach, made to the acquiring organisation (which is known to them by reputation) by a representative of the sellers.

This classification excludes the approach by the buyer, the essential feature of the so-called takeover bid.

If initial enquiry by the acquirer gives detail which does not run counter to the conditions prerequisite to acquisition, further information is then sought. This further information should include audited detailed accounts over a number of years (usually ten, if possible). An interview should also be arranged so that a picture may be built up of the projected transaction.

Analysis of data obtained so far should be supplemented by independent enquiry as follows:

(a) From the file at Bush House (Board of Trade).

(b) From *Moody's* or *Exchange Telegraph* cards.

(c) From directories and press reports.

(d) From application to a reputable credit enquiry agency.

Information should also be obtained generally concerning the trade and competitors, covering not only broad trade factors, but also share prices, dividends and yields.

It is at this stage, if it appears worth while proceeding, that a visit should be arranged to the works, offices,

warehouses, showrooms and shops of the company. Visits should be handled tactfully and in strict security. Naturally, what will require to be visited and inspected will vary with the business concerned.

The form of the report to be prepared for the consideration of the acquirer will normally cover the following matters:

1. *Introduction*

The introduction should generally describe negotiations so far and give a brief resume of the proposed deal and the parties involved.

2. *Issued capital*

Details should show totals, classifications, and main and significant holdings, and embrace rights as well as values.

3. *History of company to be acquired*

4. *Description of business engaged in*

5. *Company premises*

6. *Trading status and reputation*

This section should deal with spread of customers; export trade factors (including such matters as the repercussion of free trade in Europe); trade marks and patents; trading developments; and so on.

7. *Turnover*

The turnover should be analysed, and trends and comparisons should be shown.

8. *Management*

This should include names, duties, ages, service and remuneration of directors and executives and the structure of management, and management succession plans.

9. *Pension and welfare arrangements*

10. *Labour and raw materials*

Availability and supply as well as Trade Union and supplier reliance should be considered.

11. *Profit record*

The record should extend over at least ten years, or some other significant and protracted period, and refer to:

(i) Profits before tax

(ii) Tax, and profits after tax

(iii) Year-to-year trends

(iv) The future maintainable profit (allowing for trend and variation in income and expenditure on change of ownership and other accompanying changes).

12. *Net Assets*

Up-to-date balance sheet details should be adjusted where appropriate to allow for factors of the deal. Future tax will normally be dealt with as a contingency and deducted from net assets. Loans from proprietors must be classified as capital.

Information from recent revaluations should be set down. Valuation itself is not an essential condition before acquisition, but it may be necessary if the evidence indicates a possible wide difference of opinion over asset values and these values are of significance in the deal.

Share values in terms of net assets should be calculated, profits earned since the last balance sheet date being included after allowing for tax deductions and distributions.

13. "Earnings" yield

Except where a company is being purchased essentially for the intrinsic value of its assets (be they cash, productive capacity, under-utilised premises, or the like) or for a tax loss, the "earnings" yield calculation of share values is of prime importance. It should again be emphasised that eventually the price settled upon for the deal must be as between a willing buyer and a willing seller. Naturally the price will go a long way to induce "willingness" on either side!

For these present purposes "earnings" yield is the percentage which the maintainable profit before tax attributable to the equity-holders bears to the value placed upon the equity share capital. The calculated factors of maintainable profit and nominal value of issued capital are known. What is unknown and of difficulty and importance is the figure to be ascribed to the appropriate "earnings" yield percentage. Published "earnings" yields for similar undertakings quoted on the stock exchanges will naturally vary from those of the unquoted private concern. Factors affecting yield levels will include:

- (a) Current interest rates;
- (b) Existence of a stock exchange quotation or dealing;
- (c) Size of concern in overall value;
- (d) Proportion of goodwill likely to be included in the price;
- (e) Element of speculation in the business;
- (f) Degree of risk to the acquirer. The greater the risk the higher the yield percentage.

In assessing yields and values much will depend on the strength of the powers of bargaining and argument of the parties to the deal.

14. Dividends Paid

Details will include information on past record, performance, yields, policy and future possible trends.

15. Comparative profits and yields

Tabular comparison should demonstrate the results of competitors and should cover profits before tax, trends, earnings and dividend yields.

16. Stock exchange prices

Price levels and trends over the previous few years will be included where appropriate.

17. Proposed terms

Negotiation Procedure

After the acquiring concern has had an opportunity to consider the report, discussions at successively senior levels will take place between representatives of the parties. There may well be quite a number of reports. This series of reports will progress from a sketchy preliminary draft to a complete and formal document for Board level decision. Likewise, interview and discussion will progress from a preliminary exploratory chat to full-scale meetings with both sides represented and supported by professional advisers (usually accountants and solicitors).

Discussions, apart from elucidating information, will deal with price, manner of consideration, timing and method of deal, and the conditions under which the

acquisition will operate in the future. At this juncture it will probably be of interest to set down some of the arguments put forward on occasion in support of the absorption of smaller units by greater:

(a) It provides the means of liquidating the personal capitals tied up in the acquired concern.

(b) Fears concerning surtax and estate duty on the company can be settled, at least so far as the future is concerned.

(c) Fresh capital for expansion of the company, when required and when justified, should be more readily available.

(d) The acquired organisation should be enabled to operate with a greater sense of security and strength, affecting not only the attitudes of management and labour, but also those of third parties—such as suppliers, customers, bankers, insurers and professional advisers.

(e) Advantage is derived from the greater bargaining power and greater facilities possessed by the group—from improved trade terms, better chances of exchange of business experience and "know-how," wider application of goodwill and of group schemes for such matters as pensions.

Official Sanctions Required Before Formal Completion

For the acquiring company with a stock exchange quotation, there are at the present time three authorities from whom sanction is required. These authorities are (a) the Capital Issues Committee; (b) the Bank of England; and (c) the Share and Loan Department, Stock Exchange.

(a) The Capital Issues Committee (CIC)

The CIC is concerned (*inter alia*) with the control of borrowing by the raising of moneys from issues of shares and debentures and the like. By the recently-issued Statutory Instrument No. 1097 (July 4, 1958) authority is required for a share-for-share deal, although previously it was not. By the same instrument, the present limit of borrowing without consent in any 12 months is £50,000. Consent for bonus share issues is not now required.

The regulations have recently been consolidated in the Control of Borrowing Order, 1958 (S.I. No. 1208) which derives its authority from the main Act, the Borrowing (Control and Guarantees) Act, 1946. Applications are made to the Secretary of the CIC, who is at the Treasury in Whitehall, and take the form of a letter. On request CIC provides notes setting out the information required to be included in the letter of application. Acquisitions for cash do not require CIC consent.

(b) The Bank of England (Securities Control Section)

The main concern of the Bank in these connections is the control of registration of securities for non-resident owners. Permissions are granted under the Exchange Control Act, 1947 (where appropriate), for the registration of addresses outside the Scheduled Territories, for the issue of new shares and for the transfer of the acquired shares without the declarations required normally by the Exchange Control Act. Permission for dispensing with handling through an authorised depositary will also be

granted in appropriate circumstances.

If an offer is to be made to the general body of shareholders, it can be made only through an authorised dealer (Prevention of Fraud (Investments) Act, 1958). It is of interest to note, however, that (by an exception allowed by that Act) offers by a parent company to minority shareholders can be made directly to shareholders by the acquirer and need not be made through an authorised dealer.

(c) *The Share and Loan Department of the Stock Exchange*

It will be appreciated that applications for quotation can be put forward only through a stockbroker, who will be ready to give all the necessary help and advice required. Granting of quotation usually takes from three to seven days from the receipt of the completed application form; the appropriate Committee of the London Stock Exchange considers applications each Wednesday and Friday.

A new set of London Stock Exchange regulations on subsidiary acquisitions was issued in October, 1957. Under these new regulations the Stock Exchange can insist upon information being published and circulated to members up to fourteen days before the quotation is granted. Information could extend to prospectus-type details about any company being acquired, except for those companies acquired which have an existing quotation and thus already publish information. Current prospects of the acquiring concern may also be required to be the subject of publication. It is understood that the implementation of these particular regulations is unlikely unless the profits and assets of the acquisition are deemed material in relation to those of the acquirer. "Material" is interpreted as at least 10 per cent. of the profits and 5 per cent. of the net assets of the acquirer.

Formal Completion Processes

This subject is essentially one upon which the expert guidance and advice of a solicitor well versed in company matters should be obtained. However, it will be useful to be aware of the sort of documents which will require to be both carefully and accurately considered, and comprehensively drafted:

(a) Letters of agreement—for exchange between the parties.

(b) A letter setting out the opinion of the vendors as to foreseeable future annual profits.

(c) A formal agreement to sell—applicable only in a private treaty sale where the consideration is not wholly cash.

(d) A form of offer and acceptance, if the general body of shareholders is being approached. (It is present "City" practice that any offer should be extended to all shareholders of a class. Offers for less than the whole of the shares of a class are considered to be morally unacceptable.)

Conclusion

It will have been realised that within the limits of an article of this nature it has not been possible to expand

fully on all the many features and varied problems that are raised or could be raised. There are a great many aspects with which in practice one becomes thoroughly involved. It is hoped that the points which have been made and the signposts which have been erected will prove of value to others with less frequent opportunity of gathering this experience.

Considerations not touched upon but which should at least receive a mention are:

- (a) Publicity;
- (b) Secretarial processes upon acquisition;
- (c) Registrar of Companies requirements;
- (d) The many problems of consolidation of accounts; and
- (e) Post-acquisition activities concerned with re-organisation:
 - (i) Financial and statistical
 - (ii) Operating procedures between parent and subsidiary
 - (iii) Availability and use of group services and facilities.

Acquisition in its many forms is a subject of topical interest and professional concern. It is a living subject upon which law, practice and procedure will alter with the times. Constant review is essential and what I have written is intended as a contribution to that review.

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Accountants do not need to be able to programme a computer, but many would wish to know broadly how a programme is drawn up. This article reduces the subject to its essentials. To loop the loop is a rather difficult exercise in mental aeronautics but, on landing, a rewarding one.

Looping the Loop

—An Experiment in Programming

by F. V. Rowden, A.C.A.

EVERYONE KNOWS THE normal way of dividing one positive whole number by another, to produce the quotient and remainder:

$$\begin{array}{r}
 431 \overline{)1397326(3242} \\
 \underline{1293} \\
 1043 \\
 \underline{862} \\
 1812 \\
 \underline{1724} \\
 886 \\
 \underline{862} \\
 24
 \end{array}$$

If the operation were performed by a hand-operated rotary calculating machine, the various steps would be:

	REGISTERS			D Changes in Carriage Position
	A Dividend	B Divisor	C Quotient	
Omitted in practice {	1397326	431	0	0
	139732.6			1
	13973.26			2
	1397.326			3
	139.7326			4
	1397.326		0	3
	966.326		1	
	535.326		2	
	104.326		3	
	1043.26		30	2
	612.26		31	
	181.26		32	
	1812.6		320	1
	1381.6		321	
	950.6		322	
	519.6		323	
	88.6		324	
	886		3240	0
	455		3241	
	24		3242	
	Remainder		Quotient	

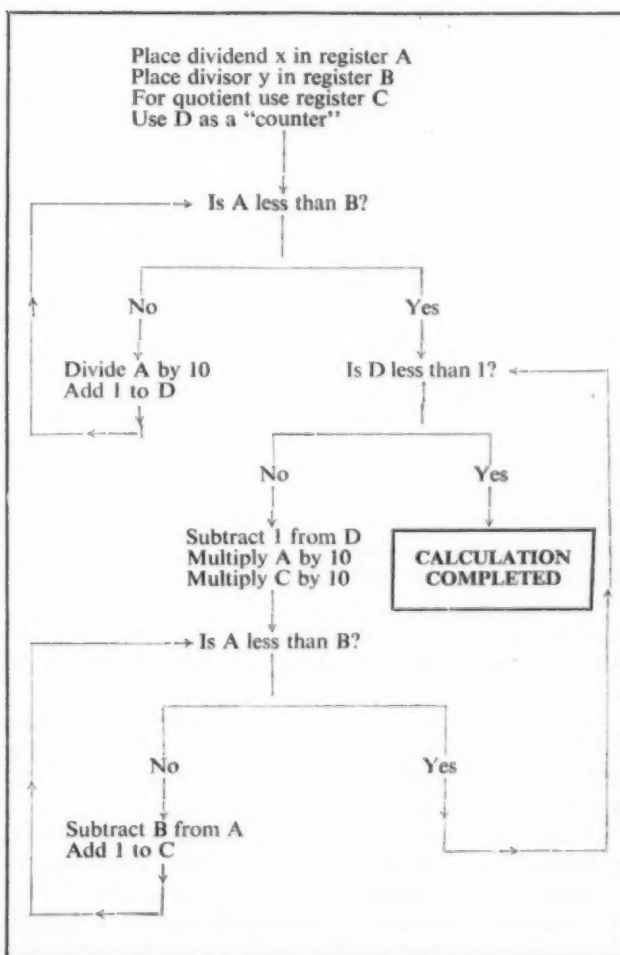
The method of the calculating machine just described may be illustrated in the form of a diagram. The diagram

below is expressed in general terms to cover all cases, whatever number of digits there may be in dividend or divisor.

DIAGRAM OF INSTRUCTIONS FOR DIVIDING x BY y (both positive integers)

Notes:

- (1) C and D both start at zero.
- (2) After each arithmetical operation on A, C or D, the result will replace the original number and be used for the next relevant instruction.

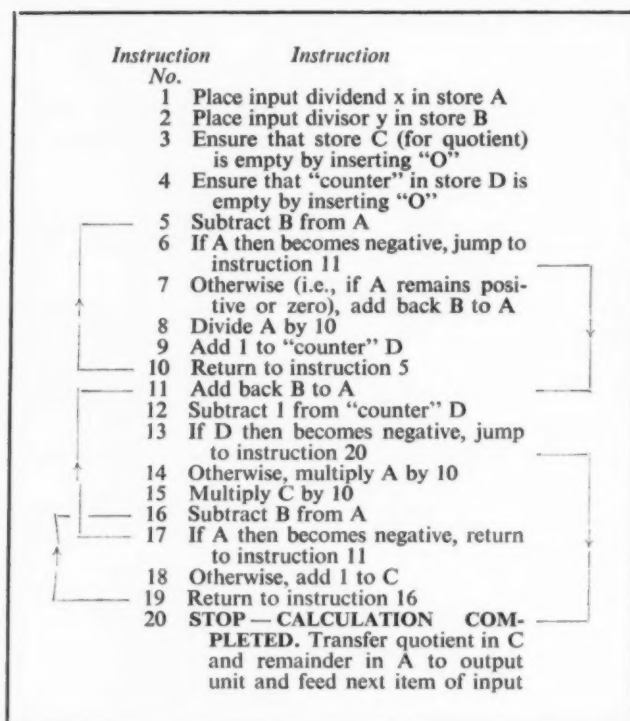


The diagram may be expressed as a series of instructions in logical order, and in a form similar to that of a programme for an electronic computer.

PROGRAMME FOR DIVIDING x BY y , TO PRODUCE QUOTIENT AND REMAINDER

Note:

An instruction such as "Subtract B from A" means "Subtract the number in store B from the number in store A, the result to replace the previous number in A." The new number in A will be used for the next relevant instruction. The number in B is not altered by such instruction.



This programme is an elementary one, and except as an exercise it would be a waste both of time and of valuable programme space, because a calculation such as multiplication or division is usually done directly through a device built into the machine, which would produce the answer to as many decimal places as necessary. The illustration indicates the principle of the technique of computer programming. It should not be regarded, however, as representative of the work given to a computer; in practice, very much more complex data would be processed.

Note how the question "Is A less than B?" has been put in a form suitable to our imaginary computer. The computer temporarily subtracts B from A, and has to test whether A is then negative.

If the specimen programme is applied to actual numerical examples, the operation of the various repetitive loops will be understood. The example may be worked by doing the arithmetic in four columns, A, B, C and D. (Ignore the binary scale, which, if used by the computer,

is merely a convenient method of working.) As each new number is written in a column, the previous entry in that column should be regarded as erased.

The working of the exercise will well repay any reader who is unfamiliar with the programming technique. The exercise requires care, particularly in going round the loops and watching for the exits. The exit from a loop occurs when the condition "if . . . then becomes negative" is fulfilled (see instructions 6 and 13). A temporary exit also occurs at instruction 17. If readers wish to test the programme numerically, they are advised to choose a dividend and divisor which give a quotient with fairly small digits. A "9" in the quotient, for example, would involve travelling round a loop nine times, a journey which would become tedious.

The specimen programme is written in plain language and would need to be translated into a code appropriate to our computer.

PROGRAMME FOR DIVIDING x by y

Note: For reasons which will become obvious when the example is checked with the programme, a dividend and divisor have been selected which produce a quotient with comparatively small digits. If a "9" appeared in the quotient, one of the loops would have to be negotiated 9 times.

$x = 1,397,326$; $y = 431$. Quotient = 3242; Remainder = 24.

A	B	C	D
1397326	431	0	0
1396895			
1397326			
139732.6			1
139301.6			
139732.6			2
13973.26			
13542.26			3
13973.26			
1397.326			4
966.326			
1397.326			3
139.7326		0	
— 291.2674		1	
139.7326		2	
1397.326		3	
966.326			2
535.326		30	
104.326		31	
— 326.674		32	
104.326			1
1043.26			
612.26			
181.26			
— 249.74			0
181.26			
1812.6		320	
1381.6		321	
950.6		322	
519.6		323	
88.6		324	
— 342.4			
88.6			
886		3240	
455		3241	
24		3242	
— 407			
24			—1 STOP

Accountant at Large

On the Firm

THERE IS A spicy pleasure for the businessman in the occasional discovery of a book, a play or a film about his special world, standing out amid the host of books, plays and films founded on drama which, while more usual, is no more real. Sometimes the book is a native product—the novel *The Bank Audit* and the play *Any Other Business* are recent examples. More often it is American, for the Americans are more given to critical self-examination than we are and they think more highly of business than we do: *The Solid Gold Cadillac* and *Executive Suite* were films providing tired businessmen with better busmen's holidays than they can normally expect in the cinema. More recently *The High Cost of Loving*, whether or not it was good box-office, was certainly good office. The books that give this kind of pleasure need not of course be novels. From the United States last year came such non-fiction as *The Organisation Man* and *Madison Avenue, U.S.A.*, each of them as entertaining in its way as any novel could be, and our own *The Boss* has just joined this group. But the surprise of discovery is keener when the form of the business theme is fictional. *Expense Account*, a recent import from America, is a story which is entertaining but at the same time should fray some sensitive nerves and set its British readers questioning: if we take for granted that it is an accurate picture of the native scene, how near is it to the facts of English life too?*

The plot is of the fight for control of a small American business, and of how the contest impinges on the career of the hero, Peter Cody, the promotion manager; but it concerns also, and more importantly, the conflict in Cody's life between the luxuries of week-day expense-ac-

count living and the comparative poverty of week-ends in the bosom of the family. British readers who have never suffered the American cost of living will raise an eyebrow at the sordidities of living on a salary of \$13,000 a year. And it is not only accountants who will come to a dead stop when Peter and Linda work out just how they (and their four children) spend the money—including \$1,690 for income tax, \$770 for "medical and dental" and \$845 for clothing. But fascinating though these glimpses of another way of life may be they are not the point of the book. That is the expense account of the title—and we have expense accounts in England too!

The business expenditure described in the novel is extravagant but for the most part honest, in the sense that it is incurred in the entertainment of people whose goodwill it is in the interest of the business to cultivate. Cody himself, an amiable young man, finds it all too schizophrenic and gets out of business altogether to his own idea of a happy ending, but it is the double standard of living that worries him more than any double standard of values. This is a fair enough picture, for the businessman is seldom conscious of great difficulty in deciding what expenditure is legitimately to be charged, and what is not: the honest man will be honest with his expenses, as he is with everything else, the unscrupulous will do his smaller or not so small "fiddles" until he is pulled up.

But there is more to the problem than Cody's dichotomy, and there is more reason than his particular split mind for general regret that the expense account has developed as it has. Practice varies from concern to concern and from one line of business to another, and the range is from the very strict to the very lax. Even in the strictest there must be some method of reimbursing money

spent by the employee on the employer's behalf.

There is a quite widespread belief amongst those who have no expense account that everyone who has one must *ipso facto* be working a tax racket. This suggestion assumes an inefficiency in Her Majesty's Inspectors of Taxes that those gentlemen could justifiably resent. But they know better than the rest of us the difficulties of the matter. While the averagely honest find it no temptation that they are spending not from their own purse but from the company imprest, the fact that a substantial part of the expenditure is not even debited to the company, but to the Revenue, is another thing again. The moralist will say that you should call the Revenue the community, call the community your neighbours; but still the businessman will lunch his business friends in a style notably above that of his domestic budget, will see the advantage of a business visit to the States, perhaps with his wife—he won't be able to claim her fare unless the circumstances are quite exceptional; but with his fare paid, half by the company and half by the community, business combines admirably with holiday. Of course the nub of the problem is that this is still an honest man, by any but the severest definition.

The "car on the firm" poses all the questions, explores all the nuances. Nearly all new cars, we are told, are sold to businesses, not to private individuals, and when they are on the road who pays for the petrol? The line of demarcation between business and pleasure is drawn in a thousand different ways, and conscience answers awkward questions more or less easily according to the ethics of the company, of the industry or profession, of the community at large—hardly ever of the individual himself. It is a curious footnote that in *Expense Account* there is no mention of a car on the account: "auto, \$940" is marked in Cody's personal budget, and he travels on business by rail and air. When a British *Expense Account* is written the car can be the crux of a very contemporary morality.

**Expense Account*. By Joe Morgan. Pp. 311. (Longmans: 15s. net.)

Some Taxation Problems of Particular Interest in the Smaller Practice

by B. R. POLLOTT, M.A., F.C.A.

At the Summer Course of the Institute of Chartered Accountants in England and Wales held in September, 1958, at Christ Church and Merton College, Oxford, one of the three papers delivered was by Mr. B. R. Pollott, M.A., F.C.A., on *Some Taxation Problems of Particular Interest in the Smaller Practice*. The paper consisted of three parts: "Family Companies," "Deeds of Covenant" and "Estate Duty—New Rules for Gifts." The first part was reproduced in our September, 1958, issue (pages 452-9), and a portion of the second part in the issue for December (pages 653-6). We now publish the remainder of the paper.

—II. Deeds of Covenant (*continued*)

42. Termination on marriage. Death is not the only event uncertain in time that can be used for the possible termination of a deed within seven years. Marriage is another. Thus a father may support his daughter once she is of age by payments made under covenant. He may provide for the obligation to cease on her marriage, so that he will then be free to review the situation in the light of his son-in-law's circumstances and to decide afresh what financial assistance, if any, would be appropriate.

Engaged couples might use a deed of covenant to augment their joint resources prior to marriage, where the bridegroom pays surtax, or the bride's income does not reach the point of standard rate liability, or both. If parts of two or more fiscal years lie between the date of execution of the deed and the date of marriage the arrangement might be quite lucrative. If the deed is for seven years or joint lives, the payer runs the risk that the recipient may break off the engagement and take with her both past and future payments even into a household set up by marriage to another man. Alternatively the deed may be for seven years, joint lives, or the earlier marriage of the beneficiary to someone other than the grantor. This limits the payer's risk to payments already made in the event of marriage of the beneficiary to another man, though if she obstinately remains a spinster she collects the full seven payments from her discarded fiancé. Perhaps it would be foolhardy for an accountant to volunteer the suggestion that a client should venture so much on so fragile a barque as an engagement to marry.

Termination on the earlier marriage of the grantor would presumably make the covenant revocable; for though the exercise of the power of revocation would require the consent of another (given in the form of the

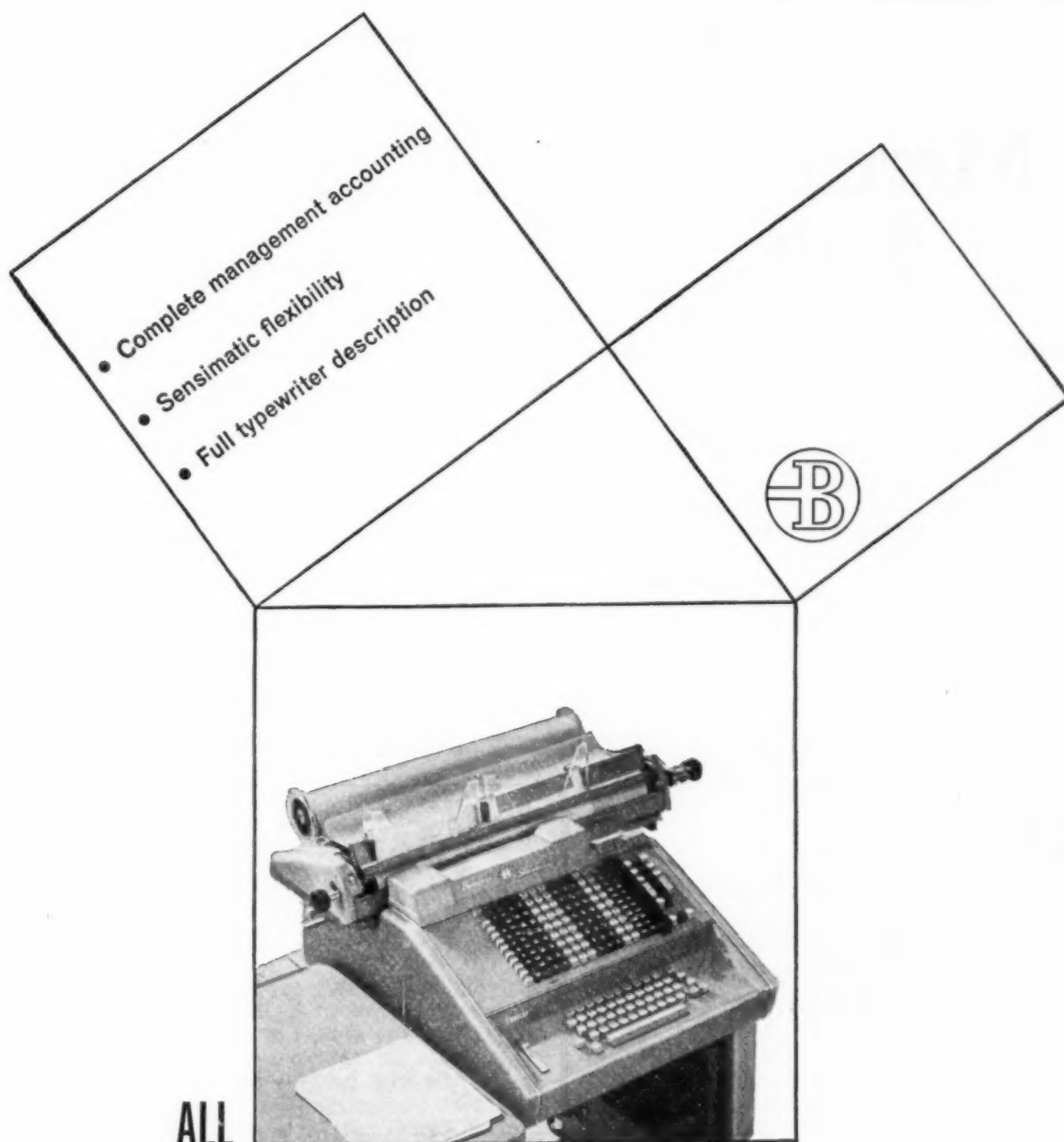
bride's marriage vows) that is not enough to avoid the mischief of Section 404.

43. Minor children of the settlor. Deeds of covenant in favour of minor children of the settlor received their *coup de grace* in 1936. Existing deeds continued to be effective so long as they were irrevocable and for joint lives (the seven-year period in this case had been ineffective since 1922).

There remain a few minor points worthy of note in connection with deeds in favour of minor children of the settlor:

- (a) Child includes step-child, adopted child and illegitimate child. It appears from *C.I.R. v. Russell*⁶⁶ that if A marries B, who is divorced from C, who is still alive, then a child of the marriage of B to C is a step-child of A. Thus such a child may have three or even more parents alive simultaneously for this purpose. So may an adopted child.
- (b) If the deed is for payments not exceeding £5 per annum gross, it escapes; but taxation benefits on such a small scale are hardly worth the trouble.
- (c) Payments are not caught for any year in which the settlor parent is not resident in the United Kingdom.
- (d) Payments made after the death of the settlor are not caught.
- (e) Until amended by the Finance Act, 1958, Section 397 (1), caught income "paid to or for the benefit of a child of the settlor in any year of assessment . . . if at the commencement of that year the child was an infant and unmarried." At the commencement of the year of assessment in which the child is born it is not an unmarried minor because it does not yet exist. Hence a deed of covenant from parent to minor child was effective for the year of birth, except where the child was born on April 6.

⁶⁶ 1955, *Tax Case Leaflet* 1725.



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This loophole has been closed by substituting "at the time of payment" for "at the commencement of that year" in the passage quoted above. There is a saving for 1958/59 if the deed was made before July 9, 1958.

- (f) The same amendment ensures that payments made after the twenty-first birthday (or date of marriage if earlier) and before the following April 6 are no longer caught. The Section as amended, however, still directs attention to the time when payment is made rather than the time when payment is due. Thus a deed from father to adolescent child may succeed for the remaining years of minority so long as the father pays under Section 169 and not under Section 170, and so long as all payments falling due on or before the earlier of the twenty-first birthday and the date of marriage are paid in arrear after that earlier date.

44. Children of divorced parents. Care is needed in divorce cases to see that the Court Order is made in a form which minimises the taxation liabilities of the parties. There are three possibilities:

- (a) If the Order requires the husband to make to his former wife payments in trust for the child, the trust thereby created in favour of the child is a settlement within the mischief of Section 397 (*Yates v. Starkey*).⁶⁹ The payments thus made are deemed for income tax and surtax purposes to be the income of the father while the child is an unmarried minor. Thus the father loses surtax relief and no advantage is gained from the child's personal allowances; but unless the child has other income above the limit, the father obtains the child allowance.
- (b) If the Court Order requires the husband to make to his former wife payments for the maintenance of the child, then the payments so made are income of the wife (*Stevens v. Tirard*).⁷⁰ In this case the husband obtains surtax relief. The wife pays surtax on the payments if her income is large enough. No advantage is obtained from the child's personal allowances, and unless the child has other income above the limit, the wife obtains the child allowance.
- (c) If the Court Order requires the husband to make payments direct to the infant child, then the payments so made are income of the child for tax purposes and not income of either parent. A Court Order in these terms is not caught by Section 397 (but it must be a Court Order and not a mere agreement between the parties). The father obtains surtax relief. The mother is not liable to surtax on the payments. The child is entitled to an income tax repayment in respect of his personal allowance and reduced rates, but as the child's income is then normally over the limit, neither parent is entitled to the child allowance.

45. Charities. In 1946 legislation (now consolidated in Section 415) imposed a general restriction on the effectiveness of deeds of covenant by providing that payments under all deeds executed on or after April 10, 1946, shall remain the income of the payer for surtax (but not income tax) purposes unless the income either:

- (a) is payable to an individual for his own use, or
- (b) is applicable for the benefit of a named individual or two or more named individuals, or

(c) is applicable for the benefit of a child or children of a named individual,

provided that none of these exceptions applies where the named individual or individuals, or in the case of (c) either the named individual or the child or any of the children in question, is in the service of the settlor or is accustomed to act as the servant or agent of the settlor.

This legislation was designed in particular to abolish surtax relief for new charitable covenants but was also aimed at cases of the *Duke of Westminster*⁷¹ type.

A deed of covenant in favour of a charity can still be profitable. If there is no earned income relief restriction involved, the cash cost to the payer is the net amount of the annual payment after deduction of tax, while the cash benefit to the charity is the gross amount.

Power to vary within the seven-year period the destination of charitable gifts can be obtained by creating one's own charitable trust between the grantor and the final recipients. This is not so frequently done by individuals now that there is no surtax relief, but it is increasingly done by industrial companies. Thus, A.B. Ltd. creates The A.B. Charitable Trust by means of a deed which is no more than an elaboration of the ordinary seven-year deed. The company makes annual payments and obtains income tax relief by deducting tax at source, but no profits tax relief. The trustees of The A.B. Charitable Trust recover from the Revenue the income tax deducted from the annual payment. They are directed to hold the funds and apply them for charitable purposes within the meaning of Section 447 in such proportions and manner and at such times as the company may direct and in default of such direction then as the trustees in their absolute discretion shall from time to time think proper. The company and the trustees must be careful to see that all recipients of donations from The A.B. Charitable Trust are themselves charities for income tax purposes, otherwise the title of The A.B. Charitable Trust to repayment of income tax will be prejudiced.

46. Discretionary trusts. Section 415 imposes some restriction on deeds of covenant creating discretionary trusts in favour of individuals. Such a settlement must be framed so as to be within the exemption (b) or the exemption (c). The former is achieved if all the discretionary objects are named in the deed. Thus, for example, a grandfather can by deed of covenant make annual payments into a discretionary trust for his grandchildren by naming all the grandchildren in the deed. This cuts out grandchildren as yet unborn. The alternative is to bring the deed within the exemption (c). In this case the grandfather makes annual payments under a deed of covenant into a discretionary trust for the children born or to be born to his named sons or daughters. This will bring in all his present and future grandchildren and appears to be the only case in which discretionary objects not mentioned individually by name can appear in a settlement fed by annual payments.

The case of *Cornwell v. Barry*⁷² illustrates the need in

⁶⁹ (1951), 32 T.C. 38.

⁷⁰ (1939), 23 T.C. 321.

⁷¹ *C.I.R. v. Duke of Westminster* (1935), 19 T.C. 510.

⁷² (1955), 36 T.C. 268.

such cases for the trustees to make a formal appropriation of income in favour of particular beneficiaries. In this case there was a trust for grandchildren born and to be born fed by annual payments from the grandfather. For the years in dispute there was only one grandchild living and the trustees had not thought it necessary to make any formal appropriation of income in his favour. The absence of such an appropriation defeated the grandchild's title to the income and therefore his claim to an income tax repayment. There must have been a further unfortunate effect of this case, although it is not apparent because the grandfather was not a party to the particular litigation reported. It seems clear that the grandfather must have lost the surtax relief he was expecting in respect of the unappropriated payments.

47. Undistributed income. Section 407 deals with undistributed income in settlements fed by annual payments from the income of the settlor. It makes the settlor chargeable to surtax on the undistributed income. Thus, where a discretionary trust is created by a deed of covenant, it is necessary for the trustees to make an appropriation of the whole income annually, not only to give the beneficiaries their income tax repayments but also to give the settlor his surtax relief.

Section 398 also deals with undistributed income and is the authority for the distinction that a settlor can achieve surtax relief by settling capital on his own minor child in such a way that the income accumulates, but cannot achieve a similar result by causing income to be accumulated for his own minor child in a trust fed by annual payments from his income.

The provisions of Section 407 sometimes cause needless anxiety. March 31 is a favourite date for annual payments. It may happen, for example as a result of the intervention of the Easter holiday, that the payment from a grandfather arrives in the trust bank account on March 31 but is not paid out to the personal account of a parent until, say, April 7. In such a case the funds are still in the hands of the trustees at April 5. If the trust is a discretionary one and the trustees have made no formal appropriation then, as already mentioned, Section 407 deprives the grantor of surtax relief. In the normal case, however, of a single infant beneficiary with an absolute interest, no harm has been done. Although legal authors are not unanimous, the position in practice seems to be that Section 407 deals with undistributed income in the sense of income still awaiting some action by the trustees before it becomes income of any particular beneficiary. In the simple case under consideration the income is already income of the child as soon as it reaches the trustees, and no question can arise of the trustees having to deal with it in any way so as to make it income of some beneficiary. Such income is incapable of being undistributed within the meaning of Section 407 even if the trustees should blatantly accumulate it for years, as indeed is necessary if the infant is outside the sterling area and was outside when the deed was executed. Another point which may be made here is that in the normal case of a single infant beneficiary with an absolute interest, the income being income of the child as soon as it reaches the trustees, it is not nec-

essary to show how it has been spent. The income tax repayment claim of the child does not have to be accompanied by a bundle of paid bills for school fees, clothing, etc.

48. More than one settlor. Perhaps the next most common deed after the one in favour of a charity is one from grandfather to grandchild appointing the parents of the grandchild as trustees. On the first occasion when an income tax repayment is claimed on behalf of the grandchild in respect of the income arising under the deed, the Inland Revenue will ask a number of questions.

One is whether the parents of the child or either of them have undertaken to provide funds directly or indirectly for the purposes of the settlement (Sections 401 and 403). Such an undertaking would make the parent an additional settlor, and the settlement being now between parent and minor child would be caught. Obviously it would defeat Section 397 if the father of the minor child could cause either of the grandfathers to enter into a deed in favour of the child, the father himself promising to furnish the necessary cash. The parties are normally required to give a formal undertaking to the Revenue confirming that this is not the case. Such an undertaking is not to be given lightly. A false undertaking, or a fraudulent claim to personal reliefs on behalf of the beneficiary, may result in an appearance at assizes on indictment for a common law misdemeanour, as well as to the imposition of the monetary penalties provided in the Income Tax Acts. So long as the grandfather is genuinely providing funds from his own resources to help in the upbringing of the grandchild then the way is clear for an income tax repayment claim on behalf of the grandchild.

49. Trust bank account. Another question customarily asked on the occasion of a first claim is what evidence exists that the payments have in fact been made. The desirable procedure is to open a separate bank account in the joint names of the trustees. There appears to be no need to put the bank on notice that it is a trust account. The grandfather makes his periodical payment into this trust bank account by banker's order, and the receiving bank again by banker's order immediately pays the sums out again straight into the personal bank account of one of the parents. The trouble and slight expense involved in operating a separate trust bank account in this way are a small price to pay for the evidence thereby furnished that the grantor has made to the trustees the payments specified in the deed and that the trustees have dealt with them by handing them over to a parent.

The position of the trustee who immediately hands all the funds over in this fashion is normally protected by a clause in the settlement to the effect that:

the trustees shall stand possessed of the payments to apply the same for or towards the maintenance, education or benefit of the infant and may either themselves so apply the same or may pay the same to any parent or guardian of the said infant for the purposes aforesaid without seeing to the application thereof.

50. Reciprocal arrangements. These are caught by the extended definition of "settlor" in Section 403. Thus

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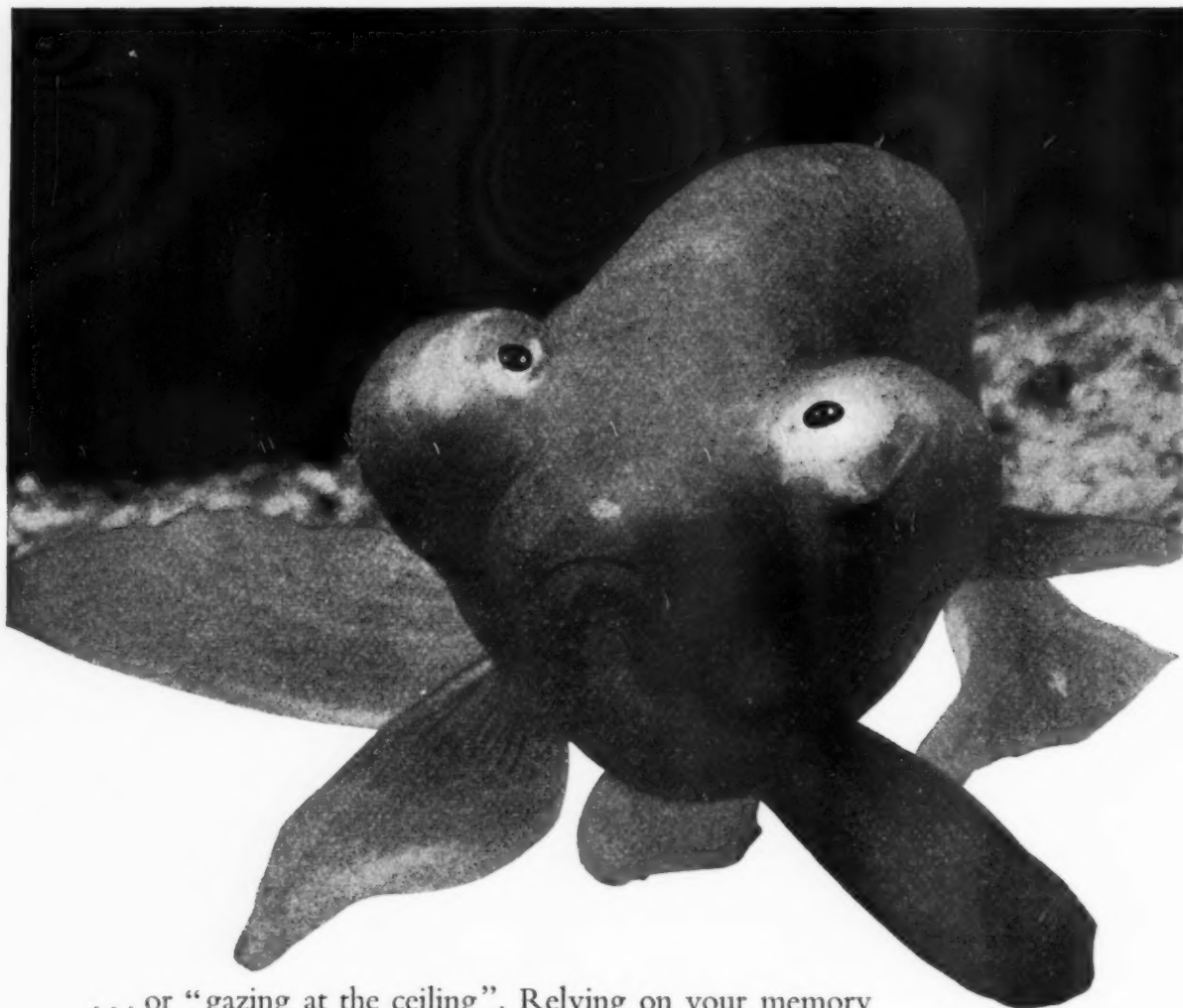
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nothing is gained by A making a deed of covenant in favour of the minor child of B, while B does the same for the minor child of A.

51. Stamp duty. Cases often occur in which a simple variation in the wording of the deed can reduce the stamp duty payable. The following points are of interest:

- (a) If the payment is for a definite number of years with no over-riding contingency such as the death of either party, the duty is 5s. per £100 of the total sum payable over the whole period and the frequency of the individual payments is immaterial.
- (b) If the payment is for an indefinite period such as joint lives, without an over-riding time limit, the duty is 5s. per £5 of the periodical sum. Thus £360 per annum for joint lives is stamped £18, but £30 per month for joint lives amounts to the same thing and is stamped 30s. If the payments are to be made more frequently than once a year, the Stamp Office will calculate the duty by reference to the annual total if it can be implied that what is actually covenanted is an annual payment divided into quarterly, monthly, weekly or other instalments. Thus "to pay quarterly from January 1 the sum of £90" is stamped £18, but "to pay on January 1, April 1, July 1 and October 1 in each year the sum of £90" is stamped £4 10s. Again, "to pay £360 by monthly instalments of £30" is stamped £18, but "to pay on the first of each month the sum of £30" is stamped 30s. In particular the stamp duty advantage of making the periodic payment more frequent than once a year is lost if the

deed refers to annual or quarterly payments, and is lost if the dates selected for payment are the usual quarter days. The Stamp Office take the view that payment on the four quarter days implies an annuity divided into quarterly instalments.

- (c) If payment is for an indefinite period of time subject to a stated limit such as for joint lives or seven years, then the duty is the smaller of 5s. per £5 of the periodical sum and 5s. per £100 of the total sum payable computed on the assumption that the deed will run its full course. Here again the duty can be reduced by increasing the frequency of the payments.
- (d) If the sum of money mentioned in the deed is the gross sum from which tax is to be deducted, the stamp duty will be computed on the gross sum. On the other hand, if the deed uses the formula "such a sum as after deduction of income tax at the standard rate for the time being in force will leave £x," then the stamp duty is computed on the net sum. This simple variation in itself reduces the stamp duty to little over half.
- (e) If the deed does not specify what amount is periodically payable but merely provides a formula for its calculation, then the stamp duty is a nominal 10s. Thus a deed for the payment of one-third of the settlor's total statutory income is stamped 10s. although the periodical payments may be large. If, however, the deed specifies an over-riding maximum sum, then the maximum will be used to calculate duty on the normal scale even though in some or all years the maximum payment may not be reached.

—III. Estate Duty—New Rules for Gifts

52. Introductory. The third topic chosen for this paper is the changes made by the Finance Act, 1957, in the computation of estate duty chargeable on gifts made within five years of death. It may be remembered that in July, 1953, the Board of Inland Revenue announced a change in their opinion of the correct application of the law on the subject and set out in a published statement the new procedure they proposed to adopt. Only a year later the House of Lords in *Sneddon v. Lord Advocate*⁷³ demonstrated not only that the new practice of the Revenue was wrong, but also that the position as it was thought to have been prior to July, 1953, was more favourable to the Revenue in some cases than could be justified by a correct application of the law. It is not surprising, therefore, that legislation has now been passed to make substantial changes. Section 38, Finance Act, 1957, must be nearly a record for a single Section in a Finance Act as it runs to five-and-a-half pages and eighteen sub-Sections. All I propose to do here is to consider in turn various types of gift and to see how the estate duty liability has been changed in respect of each.

53. Marginal relief. As a preliminary, there is one welcome relief to be noted. Gifts to one donee aggregating not more than £500 in the five years escape estate duty. This has been hard on a recipient of slightly more

than £500. There is now a sliding scale of marginal relief. The duty payable by a donee is to be reduced so that it does not exceed the excess of his total gifts over £500. This relief is personal to the donee in question and does not affect any marginal relief on the estate as a whole. In seeing whether the £500 exemption applies, the gifts should strictly be valued at the date of gift, though in practice one is permitted to adopt the smaller of the total value at the date of death or the total of the individual values at the dates of gift. In charging estate duty the gifts are valued at the date of death, and it is presumably by this method that the excess over £500 is to be computed in applying marginal relief.

54. Unsettled cash. An outright gift of unsettled cash (including cash given by cheque) was and remains chargeable to duty on the actual amount of cash given. It is important to remember in the case of cheque gifts that the five-year period runs not from the date when the cheque is drawn or handed to the payee but from the date when the cheque is cleared and paid by the donor's bank.⁷⁴

There is one exception to the general rule. If the donee settles the cash while it is still identifiable, e.g. by endorsing the cheque to trustees of a settlement or by holding the funds in a separate bank account until they can be paid over to the trustees of a settlement, then the gift is

⁷³ (1954), 1 All E.R. 225.

⁷⁴ *Re Owen* (1949), 1 All E.R. 901

treated as a gift of settled property (see paragraph 61).

55. Other unsettled property. An outright gift of unsettled property other than cash is the case in which the most drastic change has occurred. The old law was that the actual property given had to be valued at the date of death of the donor whether it was then still in the hands of the donee or not. This produced many well-known anomalies, such as that changes in the values of the property after it had been sold by the donee and before the death of the donor could result in the donee paying estate duty on a sum widely different from the cash realised on sale, and that the gift of a redeemable security redeemed before the death of the donor meant that no duty was paid on the gift at all.

The new rule stated briefly is that the gift is followed through its successive metamorphoses in the hands of the donee where these are for full consideration. If the donee exchanges the given property for other property, then the other property becomes the property to be valued at the donor's death. This procedure is continued no matter how many successive changes may occur between the gift and the death. Once, however, the donee sells the property for cash the process stops and the amount of that cash fixes the value of the gift for estate duty, whether or not the donee reinvests the cash. Here again there are exceptions. If the donee settles the property given to him, or settles the substituted property received in exchange, or settles the cash proceeds of sale while still identifiable, then the settled property rules apply (see below).

56. Gift by donee. Suppose now the donee gives the property away or parts with it for less than full consideration. In the odd case where the other party to this transaction is the donor of the original gift, the property in the original gift, or the substituted property, has returned to the free estate of the original donor, and the partial consideration, if any, paid by the original donor to reacquire it becomes the substituted gift. In other cases the donee is deemed to continue to have the property that he has given away or parted with for less than full consideration, and it is valued for estate duty payable at the death of the donor not at its value then but at its value when the donee parted with it. The partial consideration, if any, received by the donee is ignored in considering the duty payable by the first donee on the death of the original donor. It is still, of course, relevant to the duty payable by the second donee on the death of the first.

57. Redemption. The redemption of a security no longer extinguishes the liability. Any cash or property received in full or partial repayment is to be treated as substituted property. Similarly, if shares are given and the company is liquidated, the distributions received from the liquidator are substituted property. There seems a possibility, however, that if shares are given and cash is received on a reduction of capital it may escape.

58. Gift of rights. If rights are given, the substituted property is the property acquired by exercise of the rights less any consideration not derived from the donor. This presumably involves a proportion sum. Suppose that the gift is a provisional allotment letter of rights shares

quoted at 5s. nil paid, and that the donee pays up calls of 40s. per share, and that the value has reached £5 at the donor's death. It would be wrong to deduct only £2 from £5 and charge estate duty on £3, for this would attribute the appreciation wholly to the rights provided by the donor and not at all to the capital subscribed by the donee. The proper course appears to be to deduct 40/45ths of £5 and to charge duty on 5/45ths of £5.

59. Scrip issues. Bonus or scrip issues used to escape. If there was a gift of 100 shares out of an issued capital of 1,000 shares the gift represented one-tenth of the equity. If there was then a nine for one scrip issue, the issued capital became 10,000 shares and the donee still had one-tenth of the equity represented by 1,000 shares. Under the old law only the 100 shares given were dutiable, so that the figure charged to duty represented the value of one-hundredth instead of one-tenth of the equity. Under the new law, scrip issues and rights issues arising from shares or debentures comprised in the gift, or in substituted property, are treated as themselves comprised in the gift, with a deduction in the case of rights issues for any consideration provided other than by the donor. The capitalised reserves used to pay up bonus shares are not to be regarded as property provided otherwise than by the donor.

60. Prior death of donee. If the donee dies first, his death is ignored in computing the duty payable by his estate on the death of the donor within the five years. Thus:

- (i) If the personal representatives of the donee sell the property, the cash proceeds of sale form the substituted gift.
- (ii) If the property passes to a legatee of the donee, the passing is treated as a gift by the donee and the property passing is valued as at the donee's death.
- (iii) If the property is settled by the donee's will or intestacy, the settled property rules apply (see below).

It remains true that estate duty payable by the donee's estate on the later death of the donor within the five years may be deducted in computing the principal value of the donee's own estate for estate duty, normally involving a Corrective Affidavit.

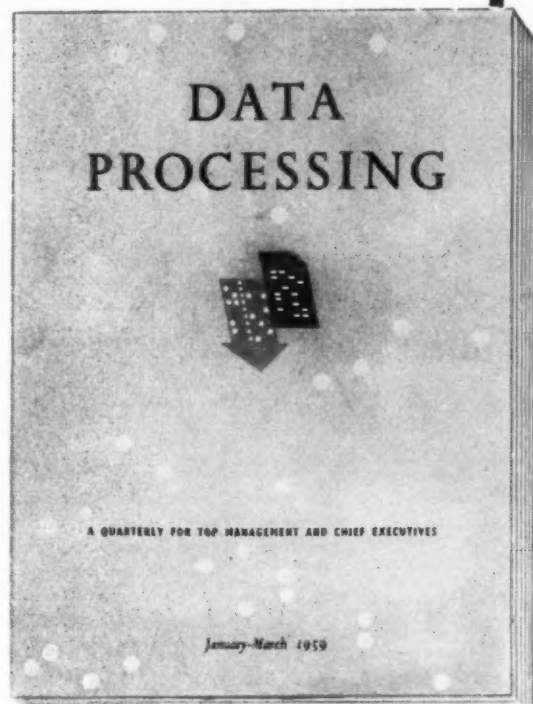
If the donor and donee die within five years of each other (in either order) and if duty is payable at both deaths in respect of the same property, then quick succession relief is now available regardless of the nature of the property. If the second death occurred before April 16, 1958, the relief was confined to land and business assets. The Finance Act, 1958, has also altered the scale of relief by introducing a new 75 per cent. rate. The scale is now where the interval between the deaths is:

Under three months	75 per cent.
„ one year	50 „
„ two years	40 „
„ three years	30 „
„ four years	20 „
„ five years	10 „

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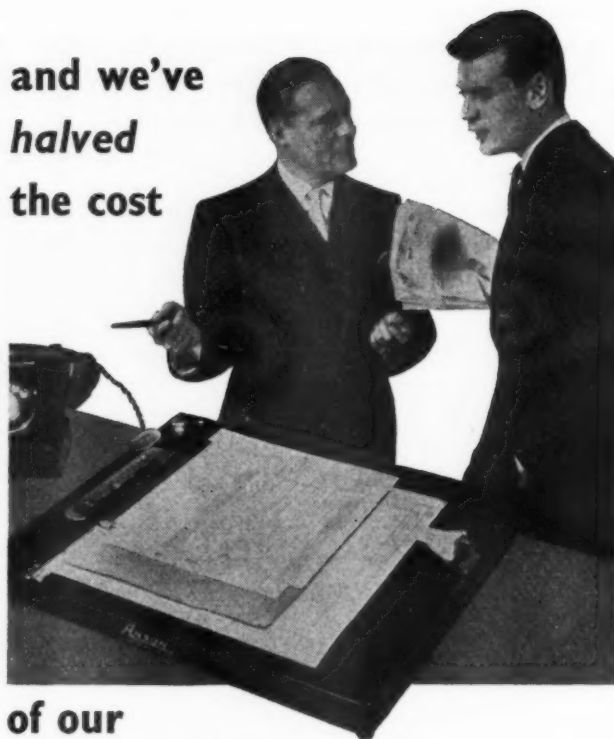


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to duty at the rate appropriate for that later death charged on the smaller of the two probate values of the common property.

If the later death is that of the donor, the duty payable on the occasion of his death (as reduced by quick succession relief) is payable by the donee's estate and is deducted from the value of the common property on the occasion of the donee's earlier death. This reduction in value may itself affect the computation of quick succession relief at the donor's later death.

61. Settled property. In the case of a gift of settled property, the new law abrogates *Sneddon* and restores the former position. This was and now is again that estate duty is chargeable on the property comprised in the settlement at the time of the donor's death, except in so far as derived from other settlors. This automatically catches bonus shares and rights issues which only escaped in settlement cases during the brief holiday between *Sneddon* and 1957. The rule applies equally whether the settlement was of cash or of other property. It also applies in various cases already mentioned where unsettled property is settled or deemed to be settled by the donee. Any property derived from the donor and taken out of the settlement prior to the donor's death is still treated as comprised in the gift, but is valued at the date when taken out of the settlement. Income accumulated

between the date of the gift and the date of the donor's death is excluded from the charge.

62. Transitional option. The new law applies to deaths after July 30, 1957, except that there is an option exercisable within twelve months after the death and exercisable separately for each gift. The option is to adopt the old law where there was a gift before April 10, 1957, and some event had occurred prior to May 1, 1957, so that had the deceased died on April 30, 1957, with the new law in force, duty would have been higher under the new law than under the old. This option exempts redeemable securities given before April 10, 1957, and redeemed before May 1, 1957. It is also useful where there was a bonus issue before May 1, 1957, or where the property given was sold before May 1, 1957, and has subsequently depreciated in value.

63. Death of a race-horse. The race-horse has worked hard as a metaphor to denote any redeemable security. Let us not forget that he can be and has on occasion been literally the subject-matter of a gift. Under the old law, if the race-horse pre-deceased the donor there was no duty. Under the new law, duty will be chargeable on the proceeds of sale of the carcass. Alternatively, if the donee buries the horse, this may be a voluntary disposition not for full consideration and duty may be chargeable on the value of the carcass at the date of burial.

Surprise for the Revenue

LIFE, SAID EMERSON, is a series of surprises. Certainly the recent decision of Diplock, J., in *C.I.R. v. Hinchy* [1958] 3 All E.R. 682 (briefly reported in our last issue, page 664) will be no small surprise for the Inland Revenue. But it will do much, unless reversed, to ease the burden of any taxpayer who through negligence but not fraud fails to render a true and correct return of all the sources of his income and of the amount derived from each source for the year preceding the year of assessment, and so exposes himself to the penalties provided by Section 25 (3) of the Income Tax Act, 1952. (Note, however, that the case is to go to the Court of Appeal.)

Under the sub-Section, if the taxpayer is proceeded against in any court, the penalty is twenty pounds and treble the tax which he ought to be charged, or, if proceeded against before the General Commissioners, a sum *not exceeding* twenty pounds and treble the tax which he ought to be charged.

The exact meaning of the words "treble the tax which he ought to be charged" has long been in doubt. As Diplock, J., observed in the course of his judgment, two standard textbooks on income tax, *Simon's Income Tax* (2nd edn., Vol. 1, p. 290, para. 417; Service Volume, Vol. 1, para. 499F) and *Konstam on Income Tax* (12th edn., Ch. 17, para.

383) express diametrically opposed views on the meaning of the sub-Section so far as the quantum of penalties is concerned. Do the relevant words mean three times the total tax chargeable by direct assessment in addition to the normal duty, or does the sub-Section supplant the charging Sections and impose treble duty instead of normal duty? Or, more simply, do the words mean three times the tax that has been underpaid?

The Till Case

Strange as it may seem—particularly as Section 25 (3) is the penalty provision most frequently invoked by the Inland Revenue—until recently

there has been no direct authority on the point. Since the case of *Attorney-General v. Till* (1910) A.C. 50, the Inland Revenue has contended that on the true construction of Section 25 (3) and its predecessors it is, and has been, entitled to a maximum penalty of three times the total tax chargeable by direct assessment in addition to the normal duty. Thousands of back duty cases have been dealt with on that basis. The same interpretation was accepted by the Codification Committee of 1936, whose Report (Cmd. 5131) stated, at paragraph 173, that the tax to be trebled was "the whole amount of (the) proper tax."

The case of *Attorney-General v. Till*, however, concerned the recovery of a penalty of £50 under Section 55 of the Income Tax Act, 1842, which provided that any person who refused or neglected to deliver any list, declaration or statement "as aforesaid" should be liable to a penalty of £50 if prosecuted in any of Her Majesty's Courts, or, if proceeded against before the Commissioners, should forfeit a sum not exceeding £20 and "treble the duty at which such person ought to be charged by virtue of this Act . . ." The point argued before the House of Lords was whether this Section applied where there was a failure to render a true and correct return as well as where there was a non-delivery of a return, and the House, over-ruling the Court of Appeal, decided that it did so apply. In the Court of Appeal, Cozens-Hardy, M.R., and Fletcher Moulton, L.J., had said *obiter* that, where the penalty was exigible before the Commissioners, the words "treble the duty at which such person ought to be charged" meant three times the whole of the tax payable by that person ((1909) 1 K.B. pages 700 and 702). In the House of Lords their Lordships expressed no dissent from this view, but as Diplock, J., has pointed out, it was not necessary for them to do so, since the point did not arise. Nevertheless, the view of the Court of Appeal, though *obiter*, has since been adopted by the Inland Revenue—supported, maybe, by the fact that if a return of income contains an error or omission, the return

as a whole is incorrect.

Facts in *C.I.R. v. Hinchy*

In the return of his income for the year 1952/53 Mr. Hinchy gave £18 6s. 0d. instead of £51 5s. 9d. as the amount of Post Office Savings Bank interest received by him for the year ended April 5, 1952. The Commissioners discovered the understatement and on November 13, 1955, made an additional first assessment on him in respect of the amount understated, the total tax on which was £14 5s. 0d. Further, on June 13, 1956, the Commissioners of Inland Revenue issued a writ against him claiming, under Section 25 (3) (a) of the Act of 1952, the fixed penalty of £20 and also "treble the tax which he ought to be charged under this Act"—a sum they computed at £418 14s. 6d., being three times the taxpayer's total income tax of £139 11s. 6d. (including the £14 5s.) for the year 1952/53.

Diplock, J., said that when the action was begun against Hinchy no tax remained to be quantified by assessment on him since the assessment had already been made. The expression to be considered was "ought to be charged," not "ought to have been charged," and there was at that time nothing with which the defendant ought to be "charged" within Section 25 (3) (a); accordingly, only the fixed penalty of £20 was recoverable in the action. His Lordship said, further, that on the true construction of Section 25 (3) (a), the treble tax penalty (where the underpaid tax had not been assessed on the taxpayer before proceedings were brought before the Court or the General Commissioners) was treble the amount of the difference between the charge which was made and the charge which ought to have been made. Such were the words used in the proviso to Section 48 (relating to fraud) of the Income Tax Act, 1952, which expressed in clearer and lengthier language what was intended to be conveyed by the elliptical expression "the tax which he ought to be charged" in Section 25 (3).

To treat the sub-Section as meaning three times the total tax on all

taxable income for the relevant year of assessment would be "absurd and unjust" if any more reasonable construction were possible. Indeed, it was because of the absurd consequences of construing Section 55 of the Income Tax Act, 1842, as imposing such a penalty that the Court of Appeal felt compelled to hold that that Section did not apply where there had been an omission from a return of income. What the same members of the Court of Appeal would have held in *Till's* case to be the true amount of the penalty, once they were constrained by the decision of the House of Lords to hold that Section 55 of the Act of 1842 did apply to a case of a minor omission, his Lordship did not know, but he thought that any court approaching a penalty section on the view that it did apply to a minor omission such as Mr. Hinchy had made must construe it in favour of the subject and against the size of the penalty if the words were reasonably capable of such a meaning, as he held they were.

Report of Royal Commission

But the words "ought to be charged" are not confined to Section 25 (3) of the Income Tax Act, 1952, alone. Altogether there are some fifty-eight penalty provisions scattered throughout the Act of 1952 and elsewhere, described in the Final Report of the Royal Commission on the Taxation of Profits and Income (Cmd.9474), paragraph 326, as "confusing, overlapping and sometimes mutually inconsistent," while nothing has been done since 1936 (when the Codification Committee also criticised severely the present system) to clear them up—but further offences and penalties have been added. It is to be hoped, therefore, that if the decision in *Hinchy's* case results in fresh legislation, it will not be of a piecemeal character, but that the dead wood will be cut out and the remaining penalties rationalised so as to bear a proper relationship to the gravity of the offence. For, on the basis of the recent decision, it is apparent that in the past a good deal of injustice may have been done to a great many taxpayers.

Surtax and Companies—X

Previous articles in the series have been:

I. The three provisions determining whether or not a company is one whose income may become liable to surtax
March, 1958 (pages 129-30)

II. Apportionments (an aspect of one of the three provisions) ... April, 1958 (pages 184-5)

III. Distributions ... May, 1958 (pages 239-40)

IV. Clearance; Directions ... June, 1958 (pages 290-1)

IX. Investment Companies December, 1958 (pages 656-7)

V. Statutory Declarations ... July, 1958 (pages 350-1)

VI. Apportionment of Income
August, 1958 (pages 402-3)

VII. Apportionment of Income (contd.)
September, 1958 (pages 462-3)

VIII. Apportionment of Income (concluded); Payment of Tax; Dividends Paid Out of Directed Income; Profits Tax and Surtax ... November, 1958 (pages 600-1)

IN THE PREVIOUS articles, we have surveyed the position as it is while the company remains in existence. In this final article, we discuss the situation in the closing phase, the liquidation of the life of the company.

Section 253, Income Tax Act, 1952, provides that where an order has been made or a resolution passed for the winding up of a company controlled by five or fewer persons, the income of the company for the period from the date to which the last accounts were made up to the time of the commencement of winding up shall be deemed to be income available for distribution to the members. Any income apportioned to a member is deemed to have been received by him at the time of commencement of winding up.

The importance of making up accounts was clearly demonstrated in the case of *Haldin & Phillips Limited v. C.I.R.*, 1953, 32 A.T.C., 321. The company went into voluntary liquidation on July 15, 1947. Accounts for the period ended December 31, 1946, were certified by the auditors on August 1, 1947, and the accounts for the three months ended March 31, 1947, were certified on November 1, 1948. The accounts were approved at an extraordinary general meeting of the company on April 30, 1952. The company claimed that the accounts

had been made up for the purposes of Section 253. Mr. Justice Vaisey rejected this contention. In his opinion the last period for which accounts were made up within the meaning of Section 253 (i.e. prior to the commencement of winding up) was the period which ended on December 31, 1945.

Readers will recall that the Special Commissioners may direct an apportionment of the income of the company where it has not *within a reasonable time* after the end of any period for which accounts have been made up distributed to its members, in a manner by which the income will fall to be included in their total incomes for surtax, a reasonable part of its income from all sources. As soon as liquidation commences, the above words in italics are omitted in respect of the period between the date to which accounts were last made up and the commencement of winding up and in respect of the next preceding period(s) ending within the next preceding year of assessment for which accounts have been made up. It should be noted that the company has still only to distribute a reasonable part of its income to avoid a direction. There may be circumstances when in the last two trading periods it is unreasonable to distribute anything, e.g. a company making profits but with considerable

stocks and creditors pressing for payment. It is unlikely, however, that a plea to retain cash for the development of the business would succeed! In the case of *A. & J. Mucklow Limited v. C.I.R.*, 1954, 33 A.T.C. 250, the company went into voluntary liquidation on December 9, 1943, and its business was transferred to a new company of the same name. The old company had never paid a dividend. The assets of the old company were transferred to the new company, with the exception of a sum of £35,000 which was paid to the shareholders to put on deposit to guarantee an overdraft of the new company. The Special Commissioners were of the opinion that they had to make a direction in respect of the period from the end of the last complete accounting period to December 9, 1943. The Courts, however, pointed out that the legislation did not provide that such profit, although deemed to be available for distribution, must be automatically apportioned, and remitted the case to the Special Commissioners to decide whether there had been an unreasonable withholding of profits from distribution. On a rehearing, the Special Commissioners could find no reasons why the company should retain money. Their decision was not over-ruled by the Court.

In the majority of cases in which

a surtax direction might be made, the income of the trading periods ending in the ultimate and penultimate years of assessment will be apportioned amongst the members.

Where the company is in liquidation, the Special Commissioners serve any notice relating to a direction on the liquidator. The latter is liable for the payment of any surtax payable by the company. Each member's share of that tax must be de-

ducted from the amount payable to him in the liquidation (*Re Alexander Drew & Sons* [1935] Ch. 93). If the liquidator does not keep enough funds to meet the tax before making distributions on the liquidation, he can recover from the members (*Re Aidale* [1933] Ch. 323).

Where a trading company is involved, there is no power to direct income arising on assets after commencement of the winding up. In

the case of an investment company, however, the actual income from all sources since the time of commencement of winding up is deemed to be income of the members (Section 263, Income Tax Act, 1952). This provision is additional, of course, to the provisions for directing the income of periods preceding the date of commencing winding up.

[Concluded]

Taxation Notes

Inland Revenue Concession— Profits Tax

The Revenue will make a concession whereby a loan made by the company to the executors of a deceased member of a director-controlled company to pay estate duty which cannot be satisfied out of the assets of the estate other than the shares of the company shall not be treated as a distribution within the meaning of Section 36 (1) (c), Finance Act, 1947. This point is not of interest for any accounting period commencing on or after April 1, 1958, now that the higher rate of profits tax payable on distributable profits has been abolished.

Post-War Credits

The publicity given from time to time to demands for repayment of post-war credits makes it opportune to remind ourselves how the credits came about. They were a result of the following reliefs being reduced in 1941: earned income relief, age relief, personal allowance (but not the additional personal allowance), exemption limit and marginal relief for small incomes. The additional income tax which an individual had to pay for the years 1941/42 to 1945/46 inclusive, as compared with 1940/41, was to be repaid at some time to be fixed by the Treasury (Section 7,

Finance Act, 1941). A certificate of the credit was issued for each year after the whole tax for the year had been paid. The maximum credit obtainable for any year was £65. In the year 1945/46, however, in some cases arrears of tax were set against the credit for that year, cancelling it to that extent.

The credit cannot be assigned but passes on death as part of the estate.

So far the credits are repayable only on a man attaining the age of 65 or a woman the age of 60.

If the person entitled has died or become bankrupt, repayment can be claimed by the personal representative or trustee in bankruptcy as the case may be, at the time the original owner could have claimed.

Post-war credits are exempt from estate duty while uncashed, even if the deceased had applied for repayment before his death.

Capital Allowances— Date of Expenditure

For capital allowances the date on which expenditure is incurred is construed as the date when the sums in question become payable, by Section 330 of the Income Tax Act, 1952 (all references in this note are to that Act unless otherwise stated).

There are, however, the following modifications of this rule:

(a) Expenditure incurred for the purposes of a trade by a person about to carry it on is to be treated as if it had been incurred on the first day on which he does carry it on; this modification applies to the initial allowance (but not investment or annual allowances—Section 16, Finance Act, 1953) for industrial buildings and structure (Section 265), and plant and machinery (Section 279). The modification does not apply, however, to expenditure between April 6, 1952, and April 14, 1953, inclusive (Section 16, Finance Act, 1953).

(b) Expenditure similar to that in (a) above in connection with mines, oil wells, etc.; this modification applies to both initial and annual allowances (Section 309) but not to investment allowances (Section 16, Finance Act, 1953) nor to expenditure between April 6, 1952, and April 14, 1953, inclusive (Section 16, Finance Act, 1953).

(c) If a person incurs capital expenditure on a building or structure and lets it to a tenant who has the first use of it, the initial allowance is given in the year of assessment in which the tenancy began, if that is after the expenditure was incurred (Section 265). This modification does not apply to expenditure between April 6, 1952, and April 14, 1953, inclusive (Section 16, Finance Act, 1953).

(d) Expenditure on dredging with a view to carrying on the trade of a dock, etc., is eligible for initial and annual allowances, as if the trade were carried on at the time the expenditure was incurred (Section 17 (7), Finance Act, 1956).

(e) The increase in initial allowances provided by Section 15, Finance Act, 1958, does not apply to expenditure incurred before April 15, 1958.

(f) In the case of industrial buildings and structures, the provision for initial

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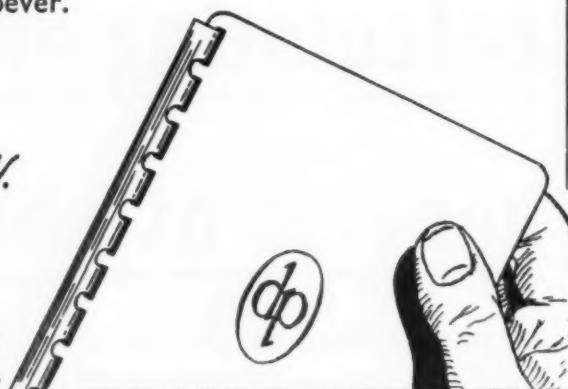
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and annual allowances takes effect from the "appointed day." Where a mills, factories allowance was given in respect of the year 1945/46, the appointed day was postponed from April 6, 1946, to April 6, 1959, unless a claim was made for it to operate from the beginning of an earlier year of assessment in which the claim was made (Section 277; Section 18, Finance Act, 1956). Expenditure from April 6, 1944, to April 5, 1952, from April 15, 1953, to April 6, 1954, and from February 18, 1956, on, will rank for initial allowances as if the expenditure had been made on the appointed day (unless this is before the date of the expenditure). Investment allowances are available for expenditure in the period between April 7, 1954, and February 17, 1956, inclusive, and for expenditure after the latter date if the contract was dated before the end of the said period, as if no mills, factories allowance were available (Section 16, Finance Act, 1954).

Back Duty

The Report of the Comptroller and Auditor General on the Revenue Accounts for the year ended March 31, 1958, gives the following statistics in respect of back duty settlements (excluding minor settlements effected by local Inspectors relating to untaxed interest, allowances, etc., amounting to £.89 million).

Year ended March 31	Number of cases	Total charges raised £m.	Penalties included £m.
1958	14,593	21.5	9.5
1957	15,511	22.5	9.4
1956	16,116	22.7	8.5
1955	19,663	20.6	8.4
1954	18,144	20.4	7.6

The percentages of penalties to tax over the five years 1954 to 1958 have therefore been 59, 69, 60, 72 and 79—but the figures are somewhat misleading since out-of-date tax is included in penalties.

Outstanding assessments to tax of the principal duties at the end of the 1957 accounting period and those of previous years are shown in Table I.

Table II indicates the age of the balances outstanding together with certain comparative figures for the previous account.

Outstanding assessments include provisional assessments and assessments under appeal, of which a large

TABLE I

Accounting period	Income tax excluding P.A.Y.E. £m.	Surtax £m.	Profits Tax £m.	Excess Profits Tax £m.	Total £m.
1957	374	78	92	21	565
1956	380	76	85	26	567
1955	414	74	77	37	602
1954	425	71	90	57	643
1953	460	70	106	89	725
1952	456	69	135	129	789

TABLE II

1957 Account						1956 Account Total £m.
Period outstanding	Income tax excluding P.A.Y.E. £m.	Surtax £m.	Profits Tax £m.	Excess Profits Tax £m.	Total £m.	
5 years or more	44	11	11	16	82	88
4-5 years	20	5	4	0	29	28
3-4 years	21	6	4	1	32	42
2-3 years	32	9	5	1	47	56
1-2 years	60	14	12	1	87	92
Less than 1 year	197	33	56	2	288	261
	374	78	92	21	565	567

part may later prove not to be payable. The 1957 total of £565 million comprises the balances recorded as outstanding in the respective balance accounts (£423 million) and certain sums, totalling £142 million, which have been removed provisionally from the accounts after special reviews of disputed assessments which satisfied the Board that at least those amounts would have to be discharged. Of the £423 million recorded as outstanding in the balance accounts £77 million was actually due at the balancing dates, and on the basis of past experience it is estimated that a further £133 million will prove to be due when provisional assessments and assessments under appeal have been finalised.

Schedules of duties remitted or written off as irrecoverable, which had been furnished to the Comptroller and Auditor General as usual, show that the total amount so remitted or abandoned during the 1957 accounting periods was £2.95 million of which £2.22 million was income tax and £.28 million surtax. The total is almost the same as that of the previous year.

The distribution according to the grounds of remission or write-off was:

	£'000's
Remissions	
On grounds of poverty ..	94
On grounds of equity ..	362
Miscellaneous: amount recoverable not sufficient to justify cost of proceedings, etc. ..	220
Amounts irrecoverable:	
Insolvency ..	1,668
Composition settlements ..	97
Realisation of securities ..	13
Taxpayer gone abroad or untraceable, etc. ..	494
	<u>2,948</u>

Receipts in the year were: income tax, £2,208,300,000; surtax, £157,400,000; profits tax, excess profits tax and excess profits levy, £255,150,000. These sums are difficult to comprehend: we have not yet had one million days in the Christian era!

Basis Period for Capital Allowances on Change in Accounting Date

Whenever the accounting date is changed, the Inland Revenue must decide what date in the year preceding the year of assessment shall be taken as being the end of the basis period for that year of assessment. They may reopen the previous year's assessment on a corresponding basis:

Illustration

A made up his accounts yearly to

July 31 until 1957, when he changed the date to April 30. The profits were:

Year to July 31	£
1955 ..	8,000
1956 ..	12,000
1957 ..	18,000
<i>Period to April 30</i>	
1958 ..	16,000
<i>The original assessments were:</i>	
1956/57 ..	8,000
1957/58 ..	12,000
1958/59 ..	18,000

On receipt of the accounts to April 30, 1958, the Revenue would enquire if that date were to be adhered to in future. On that assurance they would normally decide on April 30 as the end of the basis period for 1959/60 and 1958/59, with these results:

1959/60 Profits of year to April 30, 1958: $3/12 \times £18,000 + £16,000 = £20,500$
 1958/59 Profits of year to April 30, 1957: $3/12 \times £12,000 + 9/12 \times £18,000 = £16,500$.

The taxpayer has the right of appeal against the 1958/59 assessment but not against that for 1959/60.

The decision of the Revenue means that the computations of capital allowances must be reopened, as the expenditure available in the basis period now becomes:

1957/58, Expenditure from August 1, 1955 to July 31, 1956.

1958/59, Expenditure from August 1, 1956, to April 30, 1957 (since the basis periods for 1957/58 and 1958/59 overlapped, the overlapping portion belongs to 1957/58 only).

1959/60, Expenditure May 1, 1957, to April 30, 1958.

In such cases, it is common for the Revenue to see whether the "corresponding basis" for 1958/59 gives an inequitable result, having regard to the average earnings of profits.

For this purpose, the Revenue would see:

- how many accounting periods were affected in computing on the new basis, the assessments for for 1958/59-1959/60—in this case the years to July 31, 1956, and to July 31, 1957, and the nine months to April 30, 1958, and
- what assessments were based on these accounts or part of them, here 1957/58, 1958/59 and 1959/60.

The computations would proceed:

Profits of the accounts in question:
 $£12,000 + £18,000 + £16,000 =$
 $£46,000$ for a period of 33 months.

Since three years of assessment are involved, the profits to be assessed

for 36 months at the rate earned for 33 months would be:

	£	£
$\frac{36}{33} \times £46,000 =$		50,181
<i>Final assessments are:</i>		
1957/58	12,000	
1959/60	20,500	

Leaving for 1958/59 17,681

Since the £17,681 falls between the original assessment of £18,000 and the corresponding basis assessment of £16,500, the Revenue will substitute it for the latter figure, unless:

- there is a marked seasonal fluctuation in the rate of profit, and
- the amount found on the averaging basis is different by only a relatively small amount from the revised figure (usually a difference not exceeding 10 per cent. of the average of the current and preceding years assessments and less than £1,000 is regarded as small).

In the above figures, probably the "corresponding year" amount would be taken.

If, however, the averaging method were adopted, it seems that the capital allowances must be computed as if the corresponding year method were adopted, because all that the averaging method does is to substitute another amount for the profits of the corresponding period—it does not alter that basis period.

Tax in Mexico

The Canadian Tax Foundation has issued a useful pamphlet on the Mexican income tax. Income tax is levied in Mexico on the basis of the Income Tax Law, 1953. Liability for tax may arise in three ways: (a) schedular income tax; (b) excess profits tax; and (c) distributable profits tax. The pamphlet deals briefly but clearly with each tax.

Unlike the system in this country, by which the tax rate is calculated on a taxpayer's aggregate total income under all schedules, in Mexico the schedular tax is calculated at a different rate for income taxable under each schedule and generally without any regard to the income receivable under other schedules.

There are seven schedules covering

income from: I, commerce; II, industry; III, agriculture and fishing; IV, employments; V, professions or self-employment; VI, certain income from capital investments and VII, mainly mining royalties.

Excess profits tax is imposed on all income under the first three schedules. If the gross income under a schedule exceeds approximately £9,000 and the schedular income less income tax exceeds 15 per cent. of the invested capital (i.e. not assets).

Distributable profits tax is levied on the shareholders and partners of Mexican entities and foreign entities operating in Mexico through a permanent establishment, at 15 per cent. on the profits after various deductions which include income tax and excess profits tax.

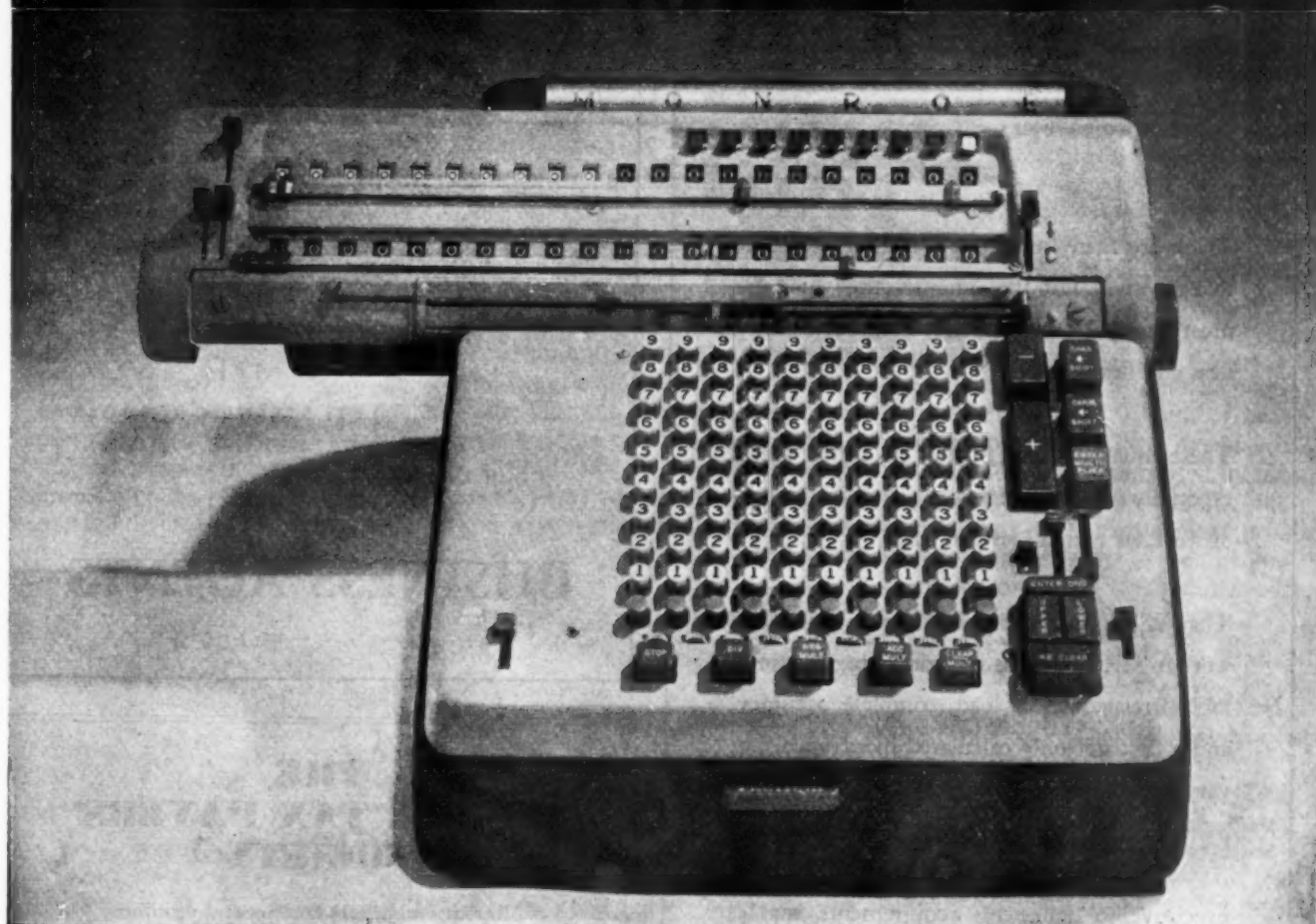
The non-resident who is not a Mexican citizen and who receives income from sources within Mexico is taxable only on that income without regard to his world income. Mexican income tax law provides that an individual is resident where he performs services or where his principal place of business is located or if neither of these tests apply, where he is permanently present physically. A non-resident is liable to schedular income tax, to distributable profits tax at 15 per cent. if operating through a permanent establishment in Mexico, and possibly to excess profits tax. The international aspects of the position are briefly set out in the pamphlet. Mexico has not entered into a double taxation agreement with this country.

The pamphlet is one of a series on taxation in various countries. A copy may be obtained on request from the Foundation at 154 University Avenue, Toronto, 1, Canada. We would suggest that readers from outside Canada writing for a copy should meet the postage by sending an international reply coupon.

Submission of Clients' Accounts to Inland Revenue

At its recent meeting the Council of the Institute made a recommendation to members on the question of the submission of clients' accounts to the Inland Revenue. We direct attention to the full statement, given

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in the proceedings of the Council on a later page of this issue of ACCOUNTANCY: the concluding recommendation is that before submitting accounts to the Inland Revenue on behalf of clients, members should ensure that the clients have approved and signed the accounts and have authorised them to be lodged with the Inland Revenue.

New Series of Tax Reserve Certificates

The prospectus dated July 8, 1955, of Tax Reserve Certificates has been revised and the seventh series withdrawn as from January 7, 1959. On January 8, 1959, a new series, the eighth, was put on issue.

The Treasury announced that the steps were necessary "to take account of the position where tax charged on Overseas Trade Corporations in respect of dividends or other distributions becomes payable one month after the assessment is signed and

allowed."

The prospectus for the eighth series provides that in such cases the date to which interest will be allowed (up to a maximum of twenty-four complete monthly periods) is to be taken to be the day next following the end of a period of three months from the date on which the dividend or distribution becomes due.

Some minor revisions in the prospectus have been made; but the main terms and conditions remain unaffected—in particular, there is no change in the rate of interest or in the arrangements for changing the rate (by notice in the *London Gazette*).

Copies of the new prospectus and subscription forms are available at bank branches.

The changes do not affect the seventh series of Tax Reserve Certificates already in issue. They may still be rendered for the payment of various taxes and will earn interest for up to two years from date of issue.

Tax Reports Supplement

The Income Tax Payers' Society has published, for circulation to members only, the 1958 *Supplement to the Index and Digest of Tax Cases* decided in the courts during the year to July 31, 1958, summaries of which appear in *The Income Tax Payer*. The series extends over twenty-five years and includes a summary in non-technical language of every case on income tax or profits tax. The new volume covers forty-three judgments and is well indexed under the names of the parties and the subject matter. The summaries will be very useful to those receiving them.

Repayment Claims

We regret that in the note on page 603 of our issue of November last, on repayment claims, the repayment to the widow was understated by tax on £60 (at 8/6=£25 10s.), as the computation of the repayment proceeded on the basis of an income taxed at source of £800, not £860.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Builder—Houses built as investments—Other houses built for sale—Cessation of building activities—Houses of both classes unsold at date of cessation of building—Financial difficulties—Decision to sell houses of both classes—Organisation set up estate agency to effect realisations—Profits on sales—Whether business of property-dealing set up—Whether building business continued as regards disposal of houses built for sale.

No trades give rise to so many fiscal disputes as those of builders and property dealers, although the principles governing the question of liability or non-liability are few and simple, the issues being essentially determinable by the facts. In the case of *West v. Phillips* (Ch., 1958, T.R. 267), the appel-

lant had been a builder on a large scale. He appealed against assessments upon him in respect of profits as a builder and as a property-dealer under Case I of Schedule D for the years 1946/47 to 1953/54. Between 1933 and 1941 he had built 2,208 houses with the assistance of finance under the Housing (Financial Provision) Act, 1933. These houses (hereafter referred to as "A" houses) were built by him as investments and had been let to tenants. In addition, he had built 287 houses for sale (hereafter referred to as "B" houses) and any profits resulting from sales had been brought into the accounts of his trade as builder. The appellant had ceased to build in 1941 and in 1942 had sold his plant and machinery by auction. During the seven years ended March 31, 1953, he had sold 406 "A" houses and 68 "B"

houses; and the profits arising therefrom were the subjects of the assessments. It had been conceded by the Revenue that the "A" houses had been built by the appellant as investments and were, therefore, capital assets. The properties, both "A" and "B", were subject to rent control.

In 1946, the war being over, the local authority had raised no objection to the sale of the "A" houses, and in March of that year the appellant was in financial difficulties. Owing to the rent restriction and to the increased cost of repairs the "A" houses had become unprofitable investments, and appellant had resolved to sell those houses whenever one became vacant or a sitting tenant made a suitable offer. On February 1, 1947, he had set up an estate agency business which had its own staff and an experienced estate agent as the chief employee. Later this business was converted into a limited company. It dealt equally with both "A" and "B" houses. Despite the above findings of fact by the Special Commissioners, they had decided that in 1947 both the "A" and the "B"

houses were trading stock of the appellant's business as a builder, but they rejected the Revenue's alternative contention that the appellant had set up a new or additional business as property dealer on February 1, 1947. They had held as regards the "B" houses that his business as a speculative builder was still alive. Wynn-Parry, J., reversed their decision as regards the "A" houses but affirmed it as regards the "B" houses, holding that the former decision, although itself a finding of fact, was so clearly wrong in law in view of their own findings in their stated case that the rule laid down in *Edwards v. Bairstow and Harrison* (1956, A.C. 14; 34 A.T.C. 198; 36 T.C. 207) applied. The present writer finds it difficult to understand how the Special Commissioners came to their conclusion. The principle applicable would seem to be that laid down in *Hudson's Bay Co. Ltd. v. Stevens* (1909, 5 T.C. 424).

Income Tax

Payments between associated companies in respect of losses—Treatment for tax purposes conditioned by residence and carrying on of trade wholly or partially in U.K.—Whether subsidiary companies of English company incorporated abroad resident in U.K.—Finance Act, 1953, Section 20.

By Section 20 of the Finance Act, 1953, an elaborate enactment consisting of twelve sub-Sections, it is provided that where a company has a deficit for tax purposes during an accounting period and receives a "subvention" payment, i.e. to give the word its ordinary meaning "a grant of money," from an "associated company" as defined, which has a surplus for tax purposes for a corresponding period, then, subject to the provisions of the Section, the payment is to be treated as a trading receipt by the recipient and as a deduction in arriving at the trading profits of the payer. Nevertheless, by sub-Section (9) the provisions of the Section are to apply only to "a company resident in the United Kingdom and carrying on a trade wholly or partially in the United Kingdom." In other words, by reference to the law established in a long series of cases, they are to apply only to a company subject to U.K. tax upon the whole of its profits. This restriction gave rise to *Bullock v. Unit Construction Co. Ltd.* (Ch. 1958, T.R. 277), a case in which the argument for the respondent affords a degree of cynical amusement.

From the earliest days of the income tax, the charge under Schedule D has

extended to the whole of the trading profits of persons resident in the United Kingdom (U.K.) wherever made, and, when in the course of years the practice grew of carrying on foreign business by means of subsidiary companies incorporated abroad, the Revenue claim to tax the whole of the profits of such companies was on the ground that they were resident in the U.K. for tax purposes if their operations were controlled by the parent or principal company. Factually, of course, such control normally exists in one form or another. It must, however, be remembered that each such foreign company is in law a distinct if artificial person carrying on its business according to its articles in its own right and by means of its own directors. "Control" establishing residence in the U.K. must be control legally exercised; and by careful drafting of the articles of a foreign company the application of the doctrine became in the course of years practically impossible so long as either the legal persons concerned observed "the rules of the game" or their non-observance was unknown to the Revenue.

In *De Beers Consolidated Mines Ltd. v. Howe* (1906, A.C. 455; 5 T.C. 198), the decision of the House of Lords as given by Lord Loreburn, L.C., established finally the crucial test. He said that in applying the conception of residence to a company the analogy of an individual should be adopted. "A company cannot eat or sleep but it can keep house and do business." The true rule, he said, had been established in earlier cases and "a company resides for purposes of income tax where its real business is carried on, which was where the central management and control actually abode." Two years later came *Stanley v. Gramophone and Typewriter Co. Ltd.* (1908, 2 K.B. 89; 5 T.C. 358). There, all the shares of a German company were owned by the respondent company, but it was held in the Court of Appeal, affirming Walton, J., in the lower Court, that this fact was insufficient in itself to establish residence in the U.K. by the foreign company. Seventeen years later came a decision of the House of Lords in *Swedish Central Railway Co. Ltd. v. Thompson* (1925, A.C. 495; 4 A.T.C. 163; 9 T.C. 342) which was at the time regarded in legal circles as having "fairly put the cat amongst the pigeons." It was held, Lord Atkinson dissenting, that, in the circumstances of the case, the company remained resident in the U.K. despite the removal of its control and management to Sweden. In other words it was held that the appellant

company had dual residence and, contrary to the inference from previous decisions, that a company could have more than one residence for the purposes of the Income Tax Acts. Twenty-eight years later, in *Union Corporation Ltd. v. C.I.R.* (1953, A.C. 482; 32 A.T.C. 73; 34 T.C. 207), there were two alternatives and a decision on the first would render *obiter* any judicial opinion upon the second. Nevertheless, both Harman, J., and the Court of Appeal, whilst recognising this, had given decisions on both. Evershed, M.R., giving the decision of the Court of Appeal, had made a long and careful review of the *Swedish Central Railway* case and the observations thereon made in the House of Lords in later cases, concluding that that case was decided upon its own peculiar facts and was not applicable generally. In the present case, Wynn-Parry, J., said that although strictly *obiter* he felt bound to accept such a carefully considered judgment, one with which he wholly agreed.

The present case has to be considered in the light of the legal position briefly outlined above. The sole question was whether Booth and Co. (Africa) Ltd., Booth and Co. Ltd., and Bulleys Tanneries Ltd. were in 1952 and 1953 companies resident in the U.K. within the meaning of Section 20 (9) of the Finance Act, 1953. The Special Commissioners had answered the question in the affirmative, holding that the companies in question were not only resident in East Africa but were also resident in the U.K. Wynn-Parry, J., reversed their decision.

In the stated case the Special Commissioners recorded the admission by the respondent company that the African subsidiaries above-mentioned were at all material times resident in East Africa and, although its counsel submitted that no colour should be given to that admission, Wynn-Parry, J., refused to accept that submission, a study of the stated case convincing him that the admission was not only proper but inevitable. Not only were they registered in East Africa. They carried on business there; and the articles of association had provided in each case that the Board meetings and general meetings could be held anywhere except in the U.K. Every necessary step had, he said, been taken to ensure that, in view of the authorities on the subject, if ever the question of residence arose each of the African subsidiaries would inevitably be held to be resident in East Africa. Evidence, however, had been given before and accepted by the Special

Commissioners that the Board of Alfred Booth & Co. Ltd.—the parent company—in effect told the Boards of the subsidiaries what to do and that the latter obeyed. The reality of the matter, it was contended, was that the businesses in question were carried on in the U.K. where the central management and control abode.

As against this argument for the respondent, his Lordship said that in order that a company resident abroad could claim residence in the U.K. it must be shown that the acts relied on were done within its constitution. If they were not they were, he said, not the acts of the company and could not be taken into consideration. The Boards of the African subsidiaries might accept instructions from the parent company but were not bound to do so, although failure might result in dismissal. In the result, he said, it could not be said that any part of the superior and directing authority of the African subsidiaries could be said to exist in the U.K., and at the end of his judgment he indicated that on the reasoning in the *Gramophone* case the acts of the parent company must be regarded as irregular interference in the affairs of a subsidiary company. In effect, the respondent company was held to be hoist by its own petard.

Income Tax

Foreign securities and possessions—Foreign trusts—Payments by trustees to respondent's account with bank abroad—Respondent domiciled abroad—Cheques drawn by respondent in foreign currency on bank abroad in favour of respondent's U.K. bankers—Instructions to latter to convert proceeds into sterling or to purchase cheques—Sale by U.K. bankers of currency equivalent to cheques to Bank of England—Credit to respondent's account of sterling equivalent at rate of exchange at date of sale—Transmission of cheques by U.K. banks to bank abroad on which cheques drawn—Currency transferred to dollar account of Bank of England with Federal Reserve Bank—Whether transactions remittances from abroad—Schedule D, Cases IV and V.

Court cases arising out of tax avoidance are "news," and this is particularly so where the method is not only successful but has the merit of being easily understood by the "man-in-the-street." *Thomson v. Moyse* (Ch., 1958, T.R. 281) possessed these attributes and achieved wide publicity in consequence. The method followed—whether it was a "scheme" or an accidental discovery is not clear—is set out in the above

extended headnote. Respondent was entitled to payments by the respective trustees of income from (a) his father's estate, potentially within Case V, and (b) his mother's estate potentially within Case IV, both estates being in the United States. The payments were paid by the trustees into the respondent's account at the Bank of New York.

Referring to the method set out in the headnote, it was contended for the respondent that his English bankers had bought as principals for sterling his cheques drawn in dollars on his New York account and had credited him with the sterling equivalent at the rate of exchange prevailing at the respective dates of sale. If the cheque on New York was not met the remedy, it was contended, was a claim upon the respondent by his English bankers in sterling and to quote from the judgment of Wynn-Parry, J., "In other words, it can be said that this is a contract for the purchase of sterling made in England and to be performed in England, and it is no part of the contract that dollars are to be brought into England." It was further contended that there was no evidence that dollars were brought into England and, even if they were, they came in as the property of the Bank of England. Another argument, which seems to the present writer to be very cogent, was that, as between the date of purchase from the respondent and the date of presentation of the cheque in New York by his English bankers, the risk arising from exchange fluctuations was that of the latter. The Special Commissioners had found in favour of the respondent, holding that, however the transaction was regarded, the English bankers had acted as principals and not as agents. Wynn-Parry, J., approved their decision, saying that it was the proper conclusion arising from his own analysis of the facts.

So far as Case IV was concerned, he held that *Paget v. C.I.R.* (1938, 2 K.B. 25; 17 A.T.C. 1; 21 T.C. 677), applied, whilst as regards Case V, it fell within *Carter v. Sharon* (1936, 1 A. E.R. 720; 15 A.T.C. 122; 20 T.C. 229). Finally, after citations from the other cases, his Lordship declared: "... under whichever case the matter can be said to fall, no dollars representing the income of the respondent were over the material period brought into the United Kingdom." Counsel for the Crown had relied strongly on *Scottish Mortgage Co. of New Mexico v. McKelvie* (1886, 2 T.C. 165), a case in which it was held on the special facts of that case that there was "constructive remittance," a decision

which had been followed in several cases since. Wynn-Parry, J., said that, even if that criticised case was rightly decided, it had been held that it was not one to be regarded as a starting point from which to draw new inferences; and, even more so, he could not regard it as a satisfactory authority for cutting down the relieving effect of Case IV or Case V. In regard to this, it would seem to be worthy of note that on the basis of the argument for the respondent, the transactions under review began and ended with the simple sale to the respondent's English bankers of his dollar cheque drawn on his New York account. What happened afterwards did not concern him.

Income Tax

Petrol station—Tied house system—Agreement with oil company—Yearly sums payable to garage proprietor in consideration of tie in reimbursement of vouched sale promotion expenses—Whether capital or income receipts.

In *Bolam v. Regent Oil Company Ltd* (1956, 35 A.T.C. 49; 37 T.C. 56), noted in our issue of April, 1957, at page 173, the Court had to consider some features of the oil "war" as affecting the oil companies. In *Evans v. Wheatley* (Ch. 1958, T.R. 273) the Court had to consider an agreement between the same oil company, the Regent Oil Company (hereafter referred to as R.O.C.) and the respondent, a garage proprietor, the question being whether certain payments to the respondent under the agreement were of a capital or revenue nature. The agreement was dated November 10, 1954, and was for a period of ten years. By it R.O.C., subject to a maximum liability of £115 in each year and £1,150 in all, agreed to reimburse the respondent during the period all sums proved to have been expended by the respondent on sales promotion, advertising, and display approved by R.O.C. in connection with the sales of R.O.C. motor fuel. In consideration of these payments the respondent agreed to be tied to R.O.C. in respect of his total requirements of motor fuel. By clause 4 of the agreement R.O.C. could place and maintain its globes on all the respondent's pumps and lock and seal the tanks. Wynn-Parry, J., said he regarded this clause as no more than machinery for carrying out the main object and not as an interference with the capital structure of the business. The real question, in his opinion, turned on the quality to be given to the detriments contained in

Clauses 9 and 10. By the former, R.O.C. was to have for a period of 30 days the first refusal in the event of the respondent wishing to vacate his premises, and by the latter the respondent was not during the currency of the agreement to offer or accept any offer of his interest in the premises unless he first gave notice to the oil company of the name, etc., of the proposed purchaser and also required the proposed purchaser to enter into an agreement similar to the one under consideration. In case of breach of this clause, by the following clause the respondent was to refund to R.O.C. the total sum of all payments by R.O.C. less £2 7s. for every 1,000 gallons purchased, but without prejudice to R.O.C.'s rights of action in respect of the breach.

Wynn-Parry, J., said that the question was whether the detriments accepted by the respondent under Clauses 9 and 10 had the effect of altering the structure of his business or were of a type which might be expected in the case of a long-term commercial contract. He based his judgment on a passage from the judgment of Wrottesley, J., in *Margerison v. Tyresoles Ltd* (1942, 21 A.T.C. 357; 25 T.C. 59), where the transaction was held to be of a capital nature, and another passage from the judgment of Lord Greene in *Thompson v. Magnesium Elektron, Ltd.* (1944, 22 A.T.C. 364; 26 T.C. 1), where the opposite view was taken, holding that the latter applied and that the payments were of a revenue character. The General Commissioners, being equally divided, had found in favour of the respondent.

Generalisation on the subject would seem to be unprofitable. The totality of a "free" trader's rights whether as buyer or seller is of course a capital matter. Nevertheless, it is scarcely possible to conceive a long period contract, or a short one for the matter of that, which does not mean some relinquishment of part of such totality as an element or elements of the bargain. And how the consideration for such relinquishment should be regarded for tax purposes will depend upon the facts of each particular case.

Estate Duty

Will—Gift of parts of income of residue for life to executor and trustee—Whether gift one to the holder of an office—Death of beneficiary—Whether share of capital of residue corresponding to share of income liable to estate duty on death—Or whether liability excluded on ground that the interest of deceased was "only an interest as holder of an

office"—*Finance Act, 1894, Sections 1 and 2 (1) (b).*

The case of *The Public Trustee (Lord Northcliffe's Trustee) v. C.I.R.* (C.A. 1958, T.R. 297) was the subject of an extended note in our issue of June, 1958 (page 298). The issue was as to the estate duty payable on the death of Henry Preuss Arnholz, who died on August 31, 1955. He was one of the executors and trustees of the late Lord Northcliffe and so long as he acted as such was entitled to three per cent. of the income of the residuary trust fund of the estate "by way of remuneration for so doing." By an order of Court made in *In re Northcliffe* (1929, 1 Ch. 327), it was held that on the death of any income beneficiary there was a "passing" within Section 1 of the Finance Act, 1894, of the share of the corpus of the estate corresponding to the percentage of income enjoyed by the beneficiary. The claim to duty on Mr. Arnholz's death was resisted by the Public Trustee, who relied on a provision in Section 2—the "deeming Section"—which provides that property passing on the death shall be deemed to include:

(b) Property in which the deceased or any other person had an interest . . . to the extent to which a benefit accrues or arises by the cesser of such interest; but exclusive of property, the interest in which of the deceased . . . was only an interest as holder of an office . . .

and the issue in the case really depended upon whether the famous dictum by Lord Macnaghten in *Cowley v. C.I.R.* (1898, A.C. 198) and again by Lord Haldane in *A.G. v. Milne* (1914, A.C. 765) that Sections 1 and 2 are mutually exclusive still holds good despite Lord Radcliffe's attack on it in *Sanderson v. C.I.R.* (1956, A.C. 491; 34 A.T.C. 316), where the latter held that it was Section 1 and no other Section that imposed the duty, Section 2 giving the word "passing" in Section 1 a wider meaning than it would otherwise have had. When the present case came before Danckwerts, J., he upheld the Revenue claim that the exclusion in Section 2 (1) (b) had no application where the charge to duty was under Section 1.

In the Court of Appeal, his decision was unanimously affirmed. Evershed, M.R., said that the Court, as had been held in *In re Duke of Norfolk* (1950, Ch. 467; 29 A.T.C. 7), was bound by the House of Lords decision in the *Cowley* case. Romer, L.J., agreeing, said that the Court was bound by the opinion of Lord Macnaghten in the case last mentioned, whatever views they might have formed if they had been able to

approach it *de novo*. He pointed out that Lord Radcliffe's opinion in *Sanderson* was not expressly adopted by the other Law Lords—a fact to which the present writer drew attention in his note on that case. Ormerod, L.J., confined himself to saying that he agreed that the appeal should be dismissed. The iniquitous result of the decision in its application was shown in the previous note.

Estate Duty

Settlement—Trust for payment of whole income equally among three children during truster's lifetime—Afterwards trust fund to be divided and an equal part to be paid over to each child absolutely—Truster survived by all three children—Whether right of each child to income after truster's death different from what it was before—Whether duty payable on full amount of each child's share of trust fund—Finance Act, 1894, Sections 1, 2 (1) (d)—Finance Act, 1934, Section 28.

Coats' Trustees v. Lord Advocate (Court of Session, 1958, T.R. 307) was another case showing the present law relating to estate duty as open to objection upon the ground that there should be some sort of equity in the incidence of a tax. In 1938, a Mrs. Eliza Balfour Coats or Parker—referred to as "Parker" in the judgments—transferred certain investments to trustees to be held for the benefit of her three children. The whole of the net income of the trust fund was to be paid to the latter in equal shares during the lifetime of the truster (settlor). There were usual provisions in case of death but, as a matter of fact, all the children survived the truster. On her death, the trust fund was to be divided into three equal parts and one of them paid to each child as his or her absolute property. Mrs. Parker died in 1956, and the Revenue claimed that duty was payable upon the whole of the trust fund under the "deeming" provisions of Section 2 (1) (d) of the Finance Act, 1894, as being within the words:

Any annuity or other interest . . . provided by the deceased . . . to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.

In *Adamson v. Attorney General* (1933, A.C. 257; 11 A.T.C. 513), the House of Lords decided that where an expectant interest became an interest in possession on a death, the duty payable under Section 2 (1) (d) should be computed on the difference between the values of the interest immediately before and after the death. This decision created great administrative difficulties in valuation;

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and, to avoid these, in the following year it was dealt with by legislation. Incidentally, it may be noted that the trust in the present case was created some four years after the enactment of Section 28 of the Finance Act, 1934, whereby it was provided that for the purposes of Section 2 (1) (d) the value of the beneficial interest shall be "ascertainable without regard to any interest in expectancy the beneficiary may have had therein before the death." For the trustees it was contended that, as each child had the enjoyment of the income of the trust fund up to the date of death, all that had happened was that an existing interest was enlarged, and that duty should be assessed not on the whole value of the trust fund but only on that of the enlargement.

All the three judges who gave judgments held that the right which each child obtained on the death was entirely different from what he previously possessed and that duty was chargeable on the whole trust fund. It was held that in Scots law the children had no interest of any kind in the trust fund. All they had was the right to call upon the trustees to carry out the provisions of the trust and give them the income arising from the fund. In this respect Scots law differs from English law, whereunder the beneficiaries have a right to the income itself; this, as Lord Mackintosh indicated, made the present case stronger than that which resulted in a similar decision by the Court of Appeal in *In re Parkes' Settlement Trusts* (1956, 1 All E.R. 833; 35 A.T.C. 45), noted in our issues of February, 1956, page 59, and August, 1956, page 321. The basis of the decision in the present case was the absence of continuity; and as to this the *Parkes* case is particularly illuminating. There, there were two issues. The first related to successive annuities of the same nominal amount payable before and after the death. Danckwerts, J., had found for the Crown, holding that there were substantial differences between the *ante-mortem* and *post-mortem* annuities. His decision on this issue was reversed by the Court of Appeal, where it was held that there was no essential difference created by the death in regard to the annuities. Upon the second issue, relating to the capital of the trust fund, the Court of Appeal had upheld the decision of Danckwerts, J., in favour of the Crown. In the present case, to illustrate the difference between the *ante* and *post-mortem* position Lord Thomson used the metaphor of a fruit tree. Before the

death the children were entitled to the whole of the fruit and to nothing else. After it, they owned the tree itself. Next, let it be assumed that another child outside a settlement receives unexpectedly a similar "tree" under a will or intestacy. It is obvious that the degree of benefit enuring in the second case is very much greater than in the first one. Section 28 of the Finance Act, 1934, certainly accords with the third Adam Smith canon, "convenience," in one of its aspects. It is, however, and perhaps necessarily so, not the convenience of the taxpayer but that of the Revenue and accords ill with the first of his canons, "equality."

Stamp Duties

Bond, covenant or instrument—Contract for provision of programmes—Stated amount for stated period—Larger amounts thereafter—Provision for increase or decrease—Whether agreement a "security" within the meaning of the term as used in the Stamp Act, 1891, First Schedule—Whether agreement for definite and certain period—Stamp Act, 1891, Sections 1, 4, Schedule L.

In the judgment of Wynn-Parry, J., in *Independent Television Authority and Associated-Rediffusion Ltd. v. C.I.R.* (Ch., 1958, T.R. 261), the agreement under consideration is not fully set out; but it would appear from the headnote in *Taxation Reports* that by an agreement dated May 23, 1955, between the first and second appellants the latter was given the right to provide programmes in consideration of payments which were to be at the rate of £495,600 a year until March 31, 1956, or until the expiration of two and a half years from the commencement date, whichever was the later. Thereafter, the amount was to be at the rate of £536,900 per annum; but there were provisions in the agreement for increases or decreases by reference to an index figure. (The *Taxation Reports* headnote is not satisfactory.) The agreement was to be operative until July 29, 1964, but both appellants had power to determine it earlier in certain events. The Revenue claimed that the agreement was chargeable to duty *ad valorem* as being within the Stamp Act, 1891, Schedule L, as a

bond covenant or instrument . . . being the only or principal or primary security . . . for any sum or sums of money at stated periods . . .

and that the agreement was "for a definite and certain period, so that the total amount to be ultimately payable can be ascertained." It contended that stamp duty was payable for a definite

period, from November 15, 1955, to July 25, 1964, two and a half years at £495,600 making £1,239,000 and six years and seventy-six days at £536,900 making £3,333,193, the total duty at 5s. per £100 being £111,431. For the appellants it was contended, firstly, that the agreement was not a "security" but one for services and was not liable to *ad valorem* duty. Secondly and alternatively, that the agreement was a security for a definite period which was not certain. Thirdly and alternatively, that duty was payable only in respect of the amount payable during the period from November 15, 1955, to March 31, 1956, as that was the only period for which the amount was unalterable. Wynn-Parry, J., held that the assessment by the Revenue was correct and that stamp duty was payable upon the specified sum notwithstanding that it might be increased or decreased.

The whole judgment is based on the authority of decided cases. On the "security" point, in *Jones v. C.I.R.* (1895, 1 Q.B. 485) an agreement for the supply and maintenance of telephonic communication which was clearly an agreement for service was held to be chargeable as a "security." The next contention, that an agreement executory at the time of execution could not be a security, was rejected by his Lordship by reference to the judgment of Rowlatt, J., in *British Italian Corporation Ltd. v. C.I.R.* (1921, W.N. 220), who, against his own inclinations to decide otherwise, felt bound by the decision of the Court of Appeal in *National Telephone Co. Ltd. v. C.I.R.* (1899, 1 Q.B. 250). The second main contention was that, admitting the agreement to be for a definite and certain period, this only applied to the period from November 15, 1955, to March 31, 1956, and that it was impossible at the date of the agreement to say which would happen thereafter because of the provisions for increase and diminution of the specified sum. Against this, there was the Crown contention that, on the authorities, given a specified sum the presence of such provisions was immaterial. His Lordship said that in the absence of authority he would be inclined to say that the total amount payable must be ascertainable at the date of the contract but that he was bound to decide otherwise in view of the decision of the Court of Appeal in *County of Durham Electrical Power Distribution Company v. C.I.R.* (1909, 2 K.B. 604).

Continuing his judgment, Wynn-Parry, J., said it was clearly established that whether the sum chargeable must

be a maximum or minimum sum or merely a specified sum, the fact that such sum was only contingently payable was immaterial. After a careful analysis of *Underground Electric Railways Co. of London, Ltd. v. C.I.R.* (1906, A.C. 21)—the first of two *Underground Railway* cases—he concluded that the real emphasis was on the discovery of a fixed or specified sum at the date of the agreement; and he said that he himself

regarded the words "minimum sum" in that case as equal to "ascertained" or "specified" sum. In support of this view, he referred to the judgment of Scrutton, J., as he then was, in the second *Underground Railway* case (1916, 1 K.B. 306), which had been confirmed in the Court of Appeal, and said he extracted from these two cases the proposition that where it appeared on the face of the deed that there was a specified sum payable,

then, notwithstanding that it might be increased or reduced in part or to nothing on the happening of a contingency, the deed was liable to stamp duty on such specified sum. The deed in the case he held to fall within that proposition. Had the contention of the appellants been upheld and then approved in the higher Courts, the law would, no doubt, have been promptly altered.

Tax Cases—Advance Notes

HOUSE OF LORDS (Viscount Simonds, Lord Morton of Henryton, Lord Reid, Lord Keith of Avonholm and Lord Somervell of Harrow).

C.I.R. v. Wood Brothers (Birkenhead) Ltd. (in liquidation). December 18, 1958.

Their Lordships (Viscount Simonds and Lord Keith dissenting) dismissed the Crown's appeal from a decision of the Court of Appeal that a balancing charge did not form part of the "actual income" of the company for the purposes of the Income Tax Act, 1952, Section 245.

COURT OF APPEAL (Jenkins, Romer and Willmer, L.JJ.).

Midland Bank Executor & Trustee Co. Ltd. v. Commissioners of Inland Revenue. December 18, 1958.

Their Lordships unanimously allowed this appeal by the trustees of the will and codicil of Charles Willis Harrison from the decision of Danckwerts, J., who had held that estate duty was payable under the Finance Act, 1894, Section 1, on the death of Geoffrey Ainsworth Harrison (the deceased) in respect of a one equal fifth share of the capital of the "retained shares." (See ACCOUNTANCY for August, 1958, page 407, for the decision of Danckwerts, J.)

The Court of Appeal held that all that passed on the death of the deceased was the principal value, actuarially ascertained as at the date of his death, of a one-fifth share of the income of the

"retained shares" for the period until the expiration of twenty-one years from the death of the testator or until the previous death of the daughter, plus the principal value (if any) attributable at the date of the death of the deceased of one-fifth of any income which in the event of the death of the daughter before the expiration of the twenty-one-year period the trustees might think fit to distribute during the residue of that period.

CHANCERY DIVISION (Harman, J.).

Burrell, Webber and others v. Davis (H.M.I.T.). December 8, 1959.

The first appellant was experienced in dealing with real property. He saw a property which he considered ripe for development and resolved to buy it. He got in the second appellant (who had previous experience in property dealing) and three other persons (the third, fourth and fifth appellants). The five appellants put up the purchase price and were described in the conveyance as purchasers. The property was conveyed in January, 1954, to the first and second appellants on trust for sale, they being designated managing trustees. In July, 1954, the property was sold at a profit. A joint assessment was made under the Income Tax Act, 1952, Section 144, on the five appellants. The Special Commissioners found that the five appellants jointly entered into the transaction of the purchase of the estate with the intention of turning it

to a profitable account either by way of development or by re-sale, and that it was not their intention to hold it as a permanent investment.

The learned Judge upheld the decision of the Special Commissioners, holding that the assessments were rightly made.

Hugh v. Rogers (H.M.I.T.). December 10, 1958.

In 1937 the appellant insured his own life with Phoenix on terms under which he received a commission, as agent, calculated in relation to his own policy. He never introduced, or attempted to introduce, anyone else to Phoenix. In 1952 the company of which the appellant was secretary wished to create a pension scheme for its employees. The company instructed the appellant to obtain a quotation from Phoenix. As a result, the company entered into a pension scheme with Phoenix, which in consequence paid the appellant a sum of £750 as commission. The appellant did not expect this payment and informed the company, which raised no claim to it. The Special Commissioners held that Phoenix had paid the appellant the £750 under the agreement appointing him as agent. Harman, J., upheld their decision that the sum was assessable under Schedule D, Clause VI.

Trustees of the Dean Leigh Temperance Canteen v. C.I.R. December 17, 1958.

The Dean Leigh Temperance Canteen was established in 1917 to sell food and non-alcoholic drink to drovers and others attending Hereford cattle market. Profits were made from such sales, which the trustees claimed should be exempt from income tax under Section 448 (1) (c)

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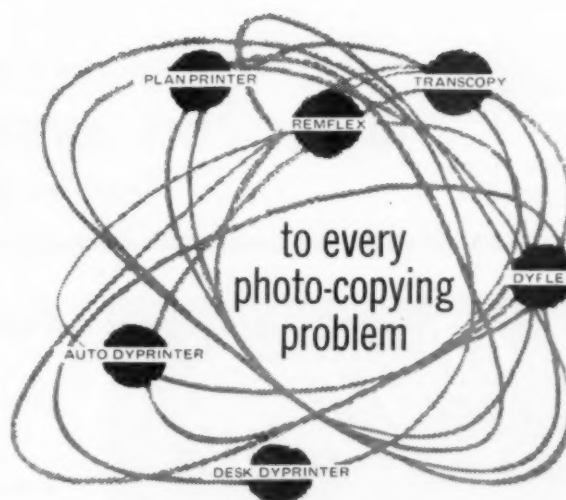
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of the Income Tax Act, 1952. Part of the profits had been invested and exemption from tax on the investment income was claimed under the Income Tax Act, 1952, Section 447 (1) (b).

Harman, J., held that the result of the appeal depended on the meaning of a trust deed executed in 1930. This document indicated that the object of the trustees was not merely the running of a commercial enterprise but the promotion of temperance. It was admitted, for the purposes of this case only, by the Crown that a trust for the promotion of temperance generally is charitable as being beneficial to the community in a way which the law regards as charitable. Accordingly, Harman, J., found in favour of the taxpayers, allowing their appeal from the decision of the Special Commissioners.

Bowater Sales Co. Ltd. v. Commissioners of Inland Revenue. December 12, 1958.

During the two years in which the Excess Profits Levy was imposed, the appellant company had three chargeable accounting periods for Excess Profits Levy purposes—January 1 to September 30, 1952; October 1, 1952, to September 30, 1953; and October 1 to December 31, 1953. In respect of the last period the company exercised the right given by Section 45 of the Finance Act, 1952, to prepare special accounts for Excess Profits Levy purposes. During the last period, a dividend was declared (on December 16, 1953) by an Australian subsidiary of the company. It was not paid until January, 1954, when the currency of Excess Profits Levy had ended. The method of computing profits (so far as material in the present case) was that laid down for profits tax purposes in Section 20 and paragraphs 1 and 7 of the Fourth Schedule of the Finance Act, 1937. Section 45 of the Finance Act, 1952, applied these provisions to Excess Profits Levy.

Harman, J., held that the dividend ought not to be included for Excess Profits Levy purposes as profits arising during the last chargeable accounting period. He allowed the taxpayer's appeal from the decision of the Special Commissioners.

Barclays Bank Ltd. v. Commissioners of Inland Revenue. December 17, 1958.

The deceased, T.S., died on December 15, 1955, possessed of 1,100 Ordinary shares of £1 each in T.S. Ltd. This company had at all material times an issued capital of 8,350 Ordinary shares. On

December 1, 1936, T.S. settled 3,650 Ordinary shares in the company on trust for the benefit of his wife and children. He took no beneficial interest under the settlement. He and two (later three) other persons were the trustees of the settlement. He remained a trustee until his death. The 3,650 shares were registered in the company's register in the name of the trustees, T.S.'s name appearing first. By Article 60 of Table A of 1908 (which was incorporated in the company's Articles of Association) on a poll every member has one vote for each share of which he is the holder, and under Article 61 "in the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members."

The question for decision was whether the 1,100 shares were to be valued for estate duty purposes under Section 7 (5) of the Finance Act, 1894, or under Section 55 of the Finance Act, 1940. In order for Section 55 to apply, the deceased must have had, at any time within the five years preceding his death, control of the company. Danckwerts, J., held in favour of the executors of the deceased that the deceased did not have control of the company within the meaning of Section 55.

CHANCERY DIVISION (Harman, J.)

Holmleigh (Holdings) Ltd. v. C.I.R. The Metropolitan Boot Company v. C.I.R. The Hale (Holdings) Ltd. v. C.I.R. December 18, 1958.

F. Ltd. owned the whole of the issued share capital of Metropolitan (the second appellant). Metropolitan owned the whole of the issued share capital of H. Ltd. and 90 per cent. of the issued share capital of P. Ltd.; G. Ltd. wished to buy all the issued share capital of F. Ltd.; F. Ltd. and its subsidiaries, however, owned certain properties and shares which G. Ltd. did not wish to acquire.

On July 13, 1956, the shareholders of F. Ltd., through an agent, entered into an agreement with G. Ltd. for the sale of their shares to G. Ltd. for £60,000 in cash (in respect of the Preference shares) and £1,375,000 in cash and £400,000 in shares of G. Ltd. (in respect of the Ordinary shares). It was further provided by the agreement that the shareholders of F. Ltd. were:

(a) before completion of the sale, to procure the incorporation of two wholly-owned subsidiaries of F. Ltd. (These

subsidiaries were Holmleigh (the first appellant) and Hale (the third appellant);

(b) before completion of the sale, to procure F. Ltd., Metropolitan and P. Ltd. to sell certain properties to Hale for £740,000. The debt was to be discharged by allotment to the vending companies or their nominees of shares in Hale;

(c) before completion of the sale, to procure F. Ltd. and H. Ltd. to sell certain shares to Holmleigh. The debt was to be discharged by allotment to the vending companies or their nominees of shares in Holmleigh.

(d) on completion of transactions (a) (b) and (c), to procure that the vending companies should sell to the shareholders of F. Ltd. the consideration shares in Hale and Holmleigh for £870,000.

Hale and Holmleigh had been incorporated on June 26, 1956.

On July 23, 1956, F. Ltd. transferred certain properties to Hale, in return receiving shares in Hale, and certain shares to Holmleigh, receiving shares in Holmleigh. On the same day, P. Ltd. transferred certain properties, and H. Ltd. certain shares, to Metropolitan; the money for the transfers was lent to Metropolitan by P. Ltd. and H. Ltd., respectively.

On July 24, 1956, Metropolitan transferred certain properties (including those acquired from P. Ltd.) to Hale for shares in Hale. Metropolitan also transferred the shares acquired from H. Ltd. to Holmleigh for shares in Holmleigh.

The consideration shares in Hale and Holmleigh were issued to shareholders of F. Ltd. who were nominees of F. Ltd. and Metropolitan. On June 30, 1956, F. Ltd. and Metropolitan agreed to sell these shares to the F. Ltd. shareholders for £870,000. The sale was completed on the same day. The sum was found from the cash payable to the shareholders of F. Ltd. by G. Ltd. From Metropolitan's share, it was able to pay the sums owed by it to P. Ltd. and H. Ltd.

The appellants claimed relief, under Section 42 of the Finance Act, 1930, from stamp duty on the transfers executed on July 23 and 24, 1956. The Commissioners assessed the transfers to *ad valorem* "conveyance on sale" duty and refused relief on the ground that the requirements of the Finance Act, 1930, Section 42 (2) (b) and the Finance Act, 1938, Section 50 (1) (a) had not been satisfied.

Harman, J., in a reserved judgment, dismissed the appeals by the companies.

The Month in the City

Convertibility Restored

Although there were numerous minor events of interest during December, the two main topics of talk in the City were without doubt the future of sterling and the final outcome of the struggle for effective control of the *British Aluminium Company*. Substantial uncertainty as to whether or no sterling was to be made convertible was one of the causes of a further fall of over a half point in the Funds in the first ten days of the month—a period which coincided with the end of the account. With the opening of the last account, for settlement in the New Year, the Funds started to recover, while equities, which had already improved on the November closing level, rose almost one per cent. The announcement that sterling would be convertible for all holders outside the sterling area produced a marked rise in all sections of the market, and particularly in equities, for which the index rose to an all-time high despite substantial profit-taking. This rise conceals a great diversity of movements. Thus shares of the capital goods industries almost certainly rose less than the average and some consumption goods industries more. In special sections outside this classification, chemicals did well and oil and shipbuilding badly, while steel shares were depressed despite a late rally. As against this, building materials, paper and packing, tobacco and some breweries did better than average.

All-time High for Equities

The percentage rises on the year were some 6.7 for the Funds, some 5.3 for other fixed interest stocks and around 36 for Ordinary shares. Gold mines improved some 17½ per cent. The margin between the yield on Old Consols and that on industrial Ordinary shares, which had been around 14s. at end-1957 and just under 12s. at November 28, fell further to 6s. 2d. The net changes on the month, according to the indices of the *Financial Times*, were rises from 84.45 to 84.72 for Government securities; from 92.16 to 92.26 for fixed interest; from 213.7 to 225.5 for industrial Ordinary and from 87.5 to 88.3 cum dividend for gold mining shares. The rise in equities has, with occasional brief interruptions, been steady throughout the last ten months of the year. By September the 1956 peak had been passed and mid-October saw that of

1957 exceeded, and it was left to the last day of the year to establish a record level, surpassing for the first time the figure of 223.9 for July 21, 1955.

Heavyweight Fight for Light Metals

As to the position with respect to British Aluminium, the last day of the year produced a third bid from some fourteen named London merchant banks and finance houses, which, with many unnamed ones, tried to support the British Aluminium directors by offering to take up half of existing holdings at 82s. a share in cash but with the condition that holders should retain the other half at least until after March.

A strange move, which had hardly any chance of success from the outset because of (1) the restrictive condition; (2) the high dividend cover offered by *Tube Investments/Reynolds* in their takeover bid; (3) the fact that the market price was already over 82s. Indeed, Reynolds had been and were still buying heavily in the market and when it was seen that as a result they were well on the way to obtaining control with *Tube Investments* there was a rush to accept the takeover bid and the battle was decisively won by *Tube Investments/Reynolds*.

Other stock market events which cannot be discussed in detail include the special tax ruling on the *Suez Finance* distribution; the decision of the clearing banks to compile mid-month statements for December and June, of which those for next year are likely to be published; the decision of the Stock Exchange Council to resume the granting of permission for "introductions" in certain circumstances; and the general policy of steel companies to pay somewhat higher dividends, even in those cases where the fall in demand has reduced profits.

Unit Trust Developments

In the unit trust field the month opened with the offer of five million 10s. units of the *B.S.T. Unit Trust*, for which hire purchase facilities were to be available. Total applications from 24,000 people exceeded 8,342,000 units, of which less than 6 per cent., or 490,000 units, were to be bought under h.p. arrangements. Other events were the purchase by the *Standard Bank of South Africa* of a 40 per cent. interest in the *National Industrial Credit Corporation*, a Union subsidiary of the *Mercantile Credit*

Corporation; the taking of an interest in *M. & G.* by the *Robert Benson* group; the splitting of the units of the former to give them a wider market and the offer by the latter of one million units of 10s. in the *Crosby Unit* trust, created by the conversion of an investment trust. This new body was designed to attract the savings of the middle-income groups as a hedge against inflation. Subscriptions, however, exceeded 2½ million units from 6,000 applicants, or an average of £200, which is less than the general average of existing unit holdings. Finally, preliminary talks were begun for the forming an association of unit trusts.

C.I.C. Rejections

While the month produced a number of small issues or placings and the offer to tender of two water board stocks, the feature was the refusal by the C.I.C. to the *Midland Bank* of permission to increase its capital and similar rejections of requests by *I. & R. Morley* and *H. & J. Quick*. As usual, the C.I.C. gave no explanation; and, in the first case at least, the decision seems quite inexplicable, except possibly on the ground that the absorption of savings by the clearing banks might be considered deflationary. Of coming issues an early place is likely to be afforded to an offer of shares by the *Dowty Group* and the New Year is expected to produce a number of equity offers, while the recent rally in the Funds may encourage offers of fixed interest stocks. The largest actual placing of the month was one of £12 million by *B.P.* for tankers, with banks and insurance companies.

Money and Exchange Markets

Throughout the month sterling had remained relatively firm and the demand for Treasury Bills, partly as a result of the repayment of the unconverted portion of the 2 per cent. Conversion stock, was so strong that rates fell progressively until an average allotment of £3 2s. 4.92d. per cent. was reached on December 12, following a record total application of £490 million a week before. Rates for the two remaining tenders of the year were a shade over three guineas. There was some uncertainty in the exchange market when business was resumed after the announcement of convertibility by the United Kingdom and a number of other European countries, and later by the Argentine and Austria. But at the end of the second day's trading *The Times* was prepared to announce that London was once more established as the world market in foreign exchange, with the pound strong.



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Points From Published Accounts

Accounts Without Head-Scratching

The accounts of *British and Commonwealth Shipping* for 1957 are up to their usual high standard of presentation. Of particular interest this year is the simple explanation of the activities of the group and of how they are reflected in the figures shown in the accounts. For example, "the charge for depreciation has risen from £3,020,000 to £3,514,000. This reflects the employment of additional funds in the fixed assets of the business, which have increased during the year from £42,485,000 to £51,908,000." As an introductory note to these explanations points out, "the results are satisfactory and the figures speak for themselves, but it may assist in the interpretation of the accounts if attention is drawn to individual items, and some explanation given where figures alone present a complete picture only to persons trained in the reading of accounts."

Here is the basis of all good presentation, and it is as well to remember that much harm can also result from packing accounts with a lot of fundamentally useless information which looks impressive but only confuses the real issues. There is much to be said for a more restrained approach, and the accounts of *British and Commonwealth* provide an excellent model.

An Ambiguity Gone

It is gratifying to note from the accounts of *K.G. (Holdings)* for the year ended March 31 last that the source of ambiguity in the wording of the dividend declaration to which we drew attention when commenting on the previous accounts in our issue of June last (page 302) has now been removed. The dividends are now stated simply "less income tax"—the generally accepted form.

The presentation of these accounts continues to be bright, and in the profit and loss account the figures are well spaced out and easy to read but the same readability is not achieved in the consolidated balance sheet, largely because of the way in which the vertical presenta-

tion is laid out. This account would be improved if more emphasis were given to the all-important figure of net assets.

How Much for the Minority?

The accounts of *W. and J. Glossop* are not pretentious. They are simple, and a completely orthodox layout is followed, with few concessions to modern trends.

The treatment of minority interests in the consolidated profit and loss account could be confusing to anyone who has not an intimate knowledge of accounting practice. Down to the statement of the "net income, subject to taxation, carried to appropriation account" the figures are straightforward enough. The first figure which appears on the debit side of the appropriation account, however, is the balance brought forward from last year attributable to minority interests. In any event, this balance would be better placed after the tax item, but the point is that to arrive at the actual proportion of the year's profits which is attributable to the minority interests it is necessary to deduct the balance brought forward from the balance carried forward, which is shown on the opposite side of the account—not a very satisfactory procedure at all.

Detailing the Fixed Assets

The change in the basis of charging profits tax which took effect from April 1 last should now remove once and for

all one major topic for dissension in the presentation of profit and loss accounts. The majority of companies have always regarded the additional 27 per cent. tax on dividend distributions as a proper charge against profits, rather than as part of the cost of the dividend, and that view we have always supported in these columns. Some companies have consistently taken the opposing view—*Vaux and Associated Breweries* is one. It will be interesting to see what changes in presentation this company makes in next year's accounts.

Apart from that one point, there is little we would criticise in the *Vaux* accounts. Both balance sheets and profit and loss account are couched in orthodox terms, and clear printing makes for easy reading. While information on trading is limited to the beer production figure given in the directors' report, several improvements in presentation have been made in recent years, and there is little doubt that other refinements will follow. At least the moves which have been made so far—notably, the inclusion of illustrations of some of the properties of the group as an appendix to the accounts—are wholly acceptable. A point of general interest in the balance sheet is the unusual detail of the fixed assets, which are laid out as below in the parent balance sheet (similar detail is provided in the group account).

Not many companies prepare individual figures in this way: most do not split into freeholds and leaseholds or into other sub-divisions. If any greater detail is provided, it is usually relegated to the notes section. *Meux*, however, provides, as well as the detail in the balance sheets, a copious note on the fixed assets. Where property values constitute an important consideration for a business, there is a great deal to be said for providing more information than is usually forthcoming.

Fixed Assets:

Freehold brewery property	55,904	—	55,904
Freehold licensed property	796,295	—	796,295
Leasehold licensed property	32,920	1,915	31,005
House, cottage and other property ..	64,145	—	64,145
Fixed plant and machinery	17,606	—	17,606
Fixtures and fittings	123,532	—	123,532
	1,090,402	1,915	1,088,487

At Cost	Amounts Written Off	£
55,904	—	55,904
796,295	—	796,295
32,920	1,915	31,005
64,145	—	64,145
17,606	—	17,606
123,532	—	123,532
1,090,402	1,915	1,088,487

Letters to the Editor

Should Goodwill of Accountancy Practices be Paid For?

Sir,—I have recently been reading, in your October issue, the report of Mr. Benson's address at the Autumn Meeting on the future of the accountant in practice. I found this extremely interesting but was brought up with a jolt when I reached paragraph 6, in which the writer suggests that payments for goodwill should cease to be made.

The only reason he gives for this suggestion is that young incoming partners will not have the means or the earnings to pay for goodwill; but is this anything new, or—even if so—is it a valid reason for giving away a valuable asset which one has oneself had to purchase or has built up after many years of hard work? Nobody is expected to give his house away because a prospective purchaser has not the ready capital. There are available the accepted methods of providing for the payment if cash is not available to the incoming purchaser, and I can see no reason why we should be deprived of the means of retirement because the next generation apparently may not have the necessary fortitude to withstand the few years when payment for goodwill leaves little for pleasure spending.

Mr. Benson suggests that instead of the goodwill proceeds practitioners will in future have their self-provided pensions to live on in retirement; but in order to provide

a reasonable pension a considerable annual premium is required now from those who have already paid, or are still paying, for goodwill. In reply to a question Mr. Benson said that the accountants of the future would not be able to "afford the burden and misery of payment for goodwill . . . when they probably have children to educate." Well, Sir, as one who is at present carrying just this burden and misery I have written at some length because I consider this suggestion to be of such importance that discussion in your columns or elsewhere is justified. If it is to become the fashion for us to give away our practices, I contend that this should be so only after a referendum to the whole of the practising members of the Institute. The fact that Mr. Benson raises the point indicates to me that it is already commonly talked about amongst the "top brass" of the profession, and as it is they who lead the profession we smaller fry may one day find that as the large firms no longer require payment for goodwill we are forced to follow suit. There was once a time when articulated clerks were expected to provide a premium, but that practice has now virtually ceased—not, so far as I remember, as the result of a vote taken amongst members, but by gradual permeation from above.

I suggest, finally, that the problems of the country practitioner are not the same as those of the big-city accountant whose

practice may be subordinate to his directorships and other interests.

Yours faithfully,

A. H. HORROCKS, F.C.A.

Church Stretton, Shropshire.

[Readers' views will be welcomed.—Editor, ACCOUNTANCY.]

Gilt or Chromium Edged?

Sir,—We have heard of "Emmies" and "Johnnies," but in your December issue (page 665) you refer to the yield on "Old Consuls"; is this the latest nickname for Ford Motor Co. Ltd. Ordinary stock?

Yours faithfully,

G. H. MILLER, F.C.A.

London, E.C.3.

Accounting Fun

Sir,—I am collecting material with a view to writing on behalf of the accountancy profession a book along the lines of *Doctor in the House* written about the medical profession.

We all have our moments—even as articulated clerks—of joy, humour, and even open hilarity in the course of our work inside and outside the profession.

Perhaps those who could care to will send me (c/o the Editor, ACCOUNTANCY) a note of any humorous experiences suitable for inclusion, which will be used if they are dramatically in harmony with the book.

Yours faithfully,

LAURENCE HENRY

(Pseudonym of a member of the Institute)
London, E.C.3.

Readers' Points and Queries

Full Repairing Leases

Reader's Query.—A client receives income from a trust, the assets of which consist mainly of real property. The assets include a property let on a full repairing lease at £300. The Commissioners have assessed the gross annual value at £330, thus creating a statutory repairs allowance of £30. The estate agent (who is also the principal trustee) charges collecting commission of £22 10s. (which, contrary to the opinion of the Inland Revenue, is a fully merited commission in view of various complications on this property), so that the trust receives a net income of £277 10s. No relief is given for the £22 10s. since this in itself does not exceed the statutory repairs allowance.

It is generally believed that there is an anomaly in the Income Tax Act in that

full relief is not to be given for the additional expense. Surely as accountants we can argue that the cost to the trust each year in respect of maintenance is fully £30 plus £22 10s., so permitting further equitable allowance of the £22 10s. by means of a maintenance claim. The argument rests on the definition of the word "cost" used in Section 101. The simplest and most accurate definition I can find is: "cost is a measure of something expressed in terms of money sacrificed to gain something." By their own yardstick, the Commissioners in assessing the G.A.V. at exactly £330 admit that the receipt of the net £300 by the landlord (the trust) indicates that he has in their estimation sacrificed exactly £30 in respect of gaining repairs maintenance work to the property, whatever such work may cost anybody else. In other

words, if the trustees are pressed to agree with the Commissioners that the G.A.V. is £330, there must be agreement between the two that £30 has been sacrificed and therefore it is "an actual cost" in addition to the further £22 10s. expended.

As a cost accountant, also, I can find no difference in conception of cost as above indicated from that shown in the following analogy: A milk retailer supplies regular quantities of milk to a local bottle-washer factory, charging retail price, say £330, for a year's supply. The bottle-washer henceforth agrees to wash and clean the milk retailer's bottles regularly and pay balance of only £300 each year instead of £330. In the milk retailer's accounts it is necessary to show the full £330 as sales (incidentally also to satisfy the Inspector of Taxes on gross profit percentage!) whilst the £30 goes down as bottle-washing expense, whatever the cost was to the bottle-washer, who could have had the work done by a subcontractor.

There is no doubt in my mind that to the milk retailer the actual cost of bottle washing is £30.

Therefore, on the full repairing lease problem it appears there is an actual cost to the landlord of £30 in addition to the £22 10s. and so full relief should be obtained by the trust.

Reply.—The reader's argument is ingenious but in our view it must fail. Section 100, Income Tax Act, 1952, lays down the method of calculating the statutory repairs allowance, which is given whether or not the taxpayer suffers any "cost of maintenance." Section 101 gives additional relief where the cost to the taxpayer computed according to the rules is greater than the statutory repairs allowance. The statutory repairs allowance of £30 is not a cost to the taxpayer; he pays tax only on £300, not £330. In the milk retailer's case, he would charge in his accounts the actual cost.

Payments to "Tied House" Garages in Ireland

Reader's Query.—I have been following with interest the British Tax Cases

arising from payments by petrol companies to "tied house" garages. I notice that a recent case *Evans (H.M.I.T.) v. Wheatly*, reported on page 409 of the August issue of ACCOUNTANCY, upheld the Inland Revenue contention that payments by petrol companies on sales promotion and other advertising expenses were held to be income payments and assessable to tax.

Irish petrol companies have been making similar payments to garages for the last few years, and I wonder if any of your Irish readers are aware of any Irish cases that have been decided.

Reply.—We have not been able to trace any Irish cases on this point. Replies from readers would be appreciated.

Deduction of Tax from Dividends

Reader's Query.—I would refer to the note in your February, 1958, issue (on page 68). I think this note read literally may be open to misconstruction.

Take a new company whose profits before tax are as follows:

Year 1	..	..	Nil
Year 2	..	..	£57,500

There is, of course, no tax liability for year 1 and none for year 2, but for the latter year the profits that would be chargeable if the assessment had to be made on actual profits instead of on the usual basis are £57,500. The note seems to suggest that only £57,500 could be distributed as dividend for year 2 under deduction of tax.

I think you will agree, however, that the company is entitled to regard the £57,500 as a net sum which has been notionally charged to tax and therefore to distribute the corresponding gross amount, £100,000, under deduction of tax.

Reply.—The reader's contention overlooks the provisions of Section 184, Income Tax Act, 1952, which authorises the deduction of tax from the full amount paid out of profits or gains of the company that would fall to be included in computing the liability for any year. No sum in excess of £57,500 has existed and, therefore, there can be no question of tax being deducted from any greater sum.

The figures would, of course, be complicated by the profits tax position, but that does not affect the principle.

Legal Notes

Contract and Tort

"Fair Wear and Tear" Clauses in Leases
Leases often contain a clause that the tenant is to keep the premises in repair, fair wear and tear excepted. After the decision of the Court of Appeal in *Taylor v. Webb* [1937] 2 K.B. 283 it was generally accepted that the liability imposed upon a tenant by such a clause was in practice very small, for in that case the Court held that if a defect—for example, the fall of a tile—was due to fair wear and tear, the tenant had no obligation to put right any damage which subsequently arose through that defect. This principle was doubted by the Court of Appeal in two recent cases and has now been declared to be wrong by the House of Lords in *Regis Property Co. Ltd. v. Dudley* [1958] 3 W.L.R. 647. Their Lordships held that the true principle was that set out in the judgment of Talbot, J., in *Haskell v. Marlow* [1928] 2 K.B. 45: "If any want

of repair is alleged and proved in fact, it lies on the tenant to show that it comes within the exception of reasonable wear and tear. This means the reasonable use of the house by the tenant and the ordinary operation of natural forces. The exception of want of repair due to wear and tear must be construed as limited to what is directly due to wear and tear, reasonable conduct on the part of the tenant being assumed. It does not mean that if there is a defect originally proceeding from reasonable wear and tear the tenant is released from his obligation to keep in good repair everything which it may be possible to trace ultimately to that defect. He is bound to do such repairs as may be required to prevent the consequences flowing originally from wear and tear from producing others which wear and tear would not directly produce."

Executorship Law and Trusts— Attesting Witness Subsequently Appointed as Trustee

In *Re Royce's Will Trusts* (1958) 3 W.L.R. 676, a testator had provided in his will that, so long as his trustees retained and administered the residuary

estate they should be entitled to pay themselves a percentage of the income as remuneration for their services; he further provided that any trustee who was a solicitor might charge for his professional services. By Section 15 of the Wills Act, 1837:

If any person shall attest the execution of any will to whom or to whose wife or husband any beneficial gift shall be thereby given or made, such gift shall so far only as concerns such person attesting or the wife or husband of such person be utterly null and void.

It is quite clear that if an attesting witness of this will had been appointed a trustee by the will itself, he would not have been entitled to any remuneration for his services. The difficulty was caused by the fact that an attesting witness, a solicitor, had been appointed a trustee not by the will but by a deed made by the surviving trustee some time after the death of the testator.

Danckwerts, J., said that there was no direct authority on the point but that the only safe view to adopt was that, if a man attested a will, he should not in any way be enabled to take any benefit under that will, not even if he only

entered a class intended to benefit by the will after the will had been proved. The trustee was therefore not entitled to remuneration for his services as trustee or to his professional charges.

Insolvency—

Payment of Petitioning Creditors' Debt before Receiving Order

H. Ltd. filed a bankruptcy petition against M. at a time when they were entitled to do so; they were owed £239 by M. and there was an available act of bankruptcy. Before the hearing of the petition the debt and costs were paid by a third party; H. Ltd. applied for leave to withdraw the petition but the Registrar refused to give leave without evidence that there were no other creditors. At the adjourned hearing other creditors appeared and eventually a receiving order was made on the petition of H. Ltd.

The debtor appealed on the ground that the Registrar had no power to make a receiving order at a time when there was no petitioner with a debt before him, and in *Re Mann, a Debtor* [1958] 1 W.L.R. 1272, the Divisional Court allowed the appeal. They said that the right procedure would have been to exercise the jurisdiction given by Section 111 of the Bankruptcy Act, 1914, and to substitute another creditor as petitioner if any of the creditors wished to be so substituted.

Miscellaneous—

Meaning of "Reckless" Making of Forecasts

In *R. v. Mackinnon* [1958] 3 W.L.R. 688, M. was charged with inducing certain persons to enter into agreements for acquiring shares by the reckless making of statements or forecasts which were misleading, false or deceptive contrary to Section 12 (1) of the Prevention of Fraud (Investments) Act, 1939. The prosecution contended that "reckless" in this Section meant "very careless" and this contention was supported by the case of *R. v. Bates* [1952] W.N. 506. Salmon, J., however, upheld the defence submission that "reckless" meant "not caring whether the statement were true or false" and connoted dishonesty. He pointed out that if a false statement was made and there were no grounds on which any reasonable man could have believed in its truth, that was strong evidence of dishonesty; but if the statement was made honestly no offence was in his view committed, however careless the maker might have been.

An Accountant's Guide to Recent Law

ACTS OF PARLIAMENT

City of London (Various Powers) Act, 1958.
London County Council (General Powers) Act, 1958.

London County Council (Money) Act, 1958.

STATUTORY INSTRUMENTS

No. 1896. Import Duties (Exemptions) (No. 22) Order.

No. 1897. Import Duties (Drawback) (No. 14) Order.

No. 1938. Pensions (India) (No. 2) Order.

No. 1939. General Grant (Calculation) Regulations.

No. 1941. Import Duties (General) (No. 2) Order.

No. 2083. General Grant Order.

No. 2084. Grants and Rates (Transitional Adjustments) Regulations.

No. 2115. Local Government Commission Regulations.

No. 1961. Emergency Laws (Continuance) Order.

No. 1962. Supplies and Services (Continuance) Order.

No. 1937. Export of Goods (Control) (Amendment No. 4) Order.

No. 1965. Import Duty Reliefs (Administration) Order.

No. 1972. Safeguarding of Industries (Exemption) (No. 7) Order.

Nos. 1973/81. Import Duty Reliefs (Nos. 1-9) Orders.

No. 1995. Foreign Compensation Commission (Amendment) Rules, Approval Instrument.

No. 2011. Exchange of Securities (No. 4) Rules.

No. 2040. Coal Industry Nationalisation (Borrowing Powers) Order.

No. 2039. Valuation Lists Rules.

No. 2079 (C.14). Tribunals and Inquiries Act, 1958 (Commencement) Order.

No. 2055. Opencast Coal (Authorisations and Compulsory Rights Orders) Regulations.

No. 2066. Indian Military Service Family Pension Fund (Amendment) Rules.

No. 2075. Import Duties (Exemptions) (No. 23) Order.

No. 2076. Import Duties (Temporary Exemptions) (No. 1) Order.

No. 2077. Import Duties (Process) (No. 1) Order.

No. 2080 (C.15). Matrimonial Causes (Property and Maintenance) Act (Commencement) Order.

No. 2082 (L.14). Matrimonial Causes (Amendment) Rules.

No. 2092. Superannuation (Transfers between the Civil Service and Public Boards) (Amendment) Rules.

No. 2094 (L.15). Rules of the Supreme Court (No. 3).

No. 2112. National Insurance (Industrial Injuries) (Prescribed Diseases) Amendment (No. 2) Regulations.

No. 2124. National Insurance (New Entrants) Transitional Amendment (No. 2) Regulations.

No. 2125. British Wool Marketing Scheme (Amendment) Order.

No. 2126. British Wool Marketing Scheme (Directions) Order.

DECISIONS OF THE COURTS

Agency

Altered basic scale of remuneration to be allowed in Chancery Division to surveyors, auctioneers and estate agents on sale of freehold and leasehold property.

Practice Direction (1 W.L.R. 1279; 3 All E.R. 521).

Bankruptcy

Held that Registrar had no power to make receiving order when no petitioner with a debt before him. Proper course was to substitute another creditor as petitioner under power of Section 111, Bankruptcy Act, 1914.

In re Mann, A Debtor (1 W.L.R. 1272; 3 All E.R. 660). See this page.

Widow's house held to be gift of deceased which could be set aside for benefit of creditors.

In re Eichholz deceased (T.N. December 17).

By-Laws

Resolution purporting to adopt new by-laws held invalid as not passed by majority of Fellows.

Knowles v. Zoological Society of London (T.N. December 6).

Companies

Solicitors' costs for work in contemplation of legal proceedings in compulsory winding-up held to be for non-contentious work since no proceedings in fact taken.

In re Simpkin Marshall Ltd. (3 W.L.R. 693; 3 All E.R. 611).

Court of Appeal upheld refusal to restrain directors from issuing cumulative participating preferred Ordinary shares—not invalid under memorandum or articles.

Hodge v. James Howell & Co. Ltd. (T.N. December 13).

Order made for winding-up of company on company's own petition.

In re Mias (Holdings) Ltd. (T.N. December 16).

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Compulsory Purchase

Borough council acting through its authorised committees held to have satisfied condition precedent to making of clearance order under Section 42 of Housing Act, 1957.

Goddard v. Minister of Housing & L.G. (1 W.L.R. 1151; 3 All E.R. 482).

Conflict of Laws

Since a serviceman can acquire a domicile of choice in country where stationed he can acquire a domicile of choice in any other country.

Stone v. Stone (1 W.L.R. 1287).

Contract

Contract to ship goods from Port Sudan to Hamburg held not frustrated by Suez incident.

Tsakiroglou & Co. Ltd. v. Noble Thorl G.m.b.H. (T.N. December 10).

Crown Privilege

Minister's certificate to withhold police records held conclusive and result not affected by consideration of alleged fraud.

Auten v. Rayner (1 W.L.R. 1300; 3 All E.R. 566).

Fraud

"Reckless" in Section 12 (1), Prevention of Fraud (Investments) Act, 1939, held not to connote dishonesty but to have the same meaning as in *Derry v. Peek*.

Regina v. Mackinnon (3 W.L.R. 688; 3 All E.R. 657). See page 38 of this issue.

Husband and Wife

Held that Court had no jurisdiction under Maintenance Agreements Act, 1957, to vary a deed made for purpose of resuming cohabitation and not for purpose of living apart.

Ewart v. Ewart (3 W.L.R. 680; 3 All E.R. 561).

Landlord and Tenant

Relief granted under Section 56 (1), Law of Property Act, 1925, where refusal of superior landlords to consent to assignment of lease held unreasonable—though superior landlords not made parties to the summons and no declaration made against them.

Vienit Ltd. v. W. Williams & Son (Bread Street) Ltd. (1 W.L.R. 1267; 3 All E.R. 621).

Tenant granted new tenancy under Section 35, Landlord and Tenant Act, 1954, and right to continue exhibiting advertising signs in Piccadilly.

In re 1 Albemarle Street, W.1 (T.N. December 16).

General denial in pleading held not to forfeit lease.

Warner v. Sampson (T.N. December 19). Tenant held not liable for breach of contract in respect of furnished service suite when he repudiated it on ground of failure of landlords to provide adequate services.

Commercial and Residential Investments Ltd. v. Perez (T.N. December 11).

Limitation of Action

Action not barred by Limitation Act, 1939, as it was based on the fraud of a trustee through whom defendants claimed and there was no proof that plaintiffs had knowledge of payment before 1956.

G. L. Baker Ltd. v. Medway Building & Supplies Ltd. (1 W.L.R. 1216; 3 All E.R. 540).

Negligence

Sales supervisor held liable for loss by theft of vacuum cleaners from locked minibuses parked at night in road near his house.

Superlux Ltd. v. Plaisted (T.N. December 12).

Practice and Procedure

As object of litigation was to adjudicate on the real matters at issue between the parties, leave to amend should have been given in court below as pleadings did not reveal probable state of facts.

G. L. Baker Ltd. v. Medway Building & Supplies Ltd., *supra*.

Payment into Court in Factories Act and common law claims—held that purpose of Order 22, rule 1 (2), was to avoid embarrassment when damages claimed under two or more independent causes of action where relief claimed was cumulative.

Graham v. C. E. Heinke & Co. Ltd. (3 W.L.R. 737; 3 All E.R. 650).

Probate

Held on appeal as to costs that ordinary rule rightly followed that unsuccessful party should pay costs of action and case did not fall within exception whereby at discretion of judge costs could be awarded out of estate to unsuccessful party if litigation caused by conduct of testator or residuary legatee.

In re Cutcliffe's Estate (3 W.L.R. 707; 3 All E.R. 642).

Real Property

Judicial Committee held that vendor of rent-restricted property in Africa was under duty to consult purchaser before reletting vacant property before completion of sale.

Abdulla v. Shah (T.N. December 2).

Restrictive Practices

Interlocutory applications where terms of proposed order have been agreed by parties shall be dealt with by Clerk of Court.

Practice Direction (1 W.L.R. 1299; 3 All E.R. 681).

Court thought that evidence of economists and accountants should be shorter than in cases so far heard; their evidence should be confined to the specific matters arising in the investigation they had made.

In re Five Millers' Agreements (T.N. December 11). See the Professional Notes columns of this issue.

Evidence of one trade witness should not be duplicated unless second witness could speak of matters from a different angle.

In re Five Millers' Agreements, *supra*.

Applications to fix a date and similar

applications should be made by summons and parties should give Clerk of Court an estimate of length of case.

per Devlin, J. (T.N. December 18).

Statutes Construction

Explanatory notes regarding the working of an Act, issued by a Government Department for the guidance of its officials, are wholly inadmissible in construing the Act.

London County Council v. Central Land Board (1 W.L.R. 1296; 3 All E.R. 672).

Town and Country Planning

Development charge is exigible on actual and not hypothetical operations; and execution of the only profitable parts of scheme would constitute a breach of faith with planning authority.

London County Council v. Central Land Board, *supra*.

Trusts and Trustees

Held that innocent third party was liable in equity to repay sums received from a trustee which he had obtained fraudulently.

G. L. Baker Ltd. v. Medway Building & Supplies Ltd., *supra*.

Wills Construction

Difficulty of construction resolved by transposing wording of will.

Re Bacharach's Will Trusts (3 All E.R. 618).

ARTICLES IN LEGAL JOURNALS

<i>Solicitors' Journal</i>	
Vol. 102, page	
A Point on Locke King's Acts ..	804
Town and Country Planning Bill ..	851
Stamp Duty on Contingent Obligations or Rights ..	868
Estate Duty Provisions of the Finance Act, 1958 ..	869
Clubs and the Local Authority ..	887
Leaving Land to a Charity ..	897
Age and Upkeep ..	898
Rating Relief for Charities ..	901
The Cy-Près Doctrine and the Problem of its Reform ..	910
Settlers' Strings on Discretionary Settlements ..	925 & 946
"Residence" ..	928
Some 1958 Statutes ..	945
Control—Responsibility for Repairs	949

<i>Law Times</i>	
Vol. 226, page	
Bankruptcy Act—Obtaining Credit "Barratry" in Marine Insurance Policies ..	301
Protective Clothing—Employer's Duty at Common Law ..	315
Attesting Witnesses ..	331
Title by Estoppel ..	332
The Extension of the Power of Investment of a Charity ..	344
Board of Trade Statement on the Anglo-French Agreement on Taxation of Royalties Payments	346

Abbreviations
All E.R.—The All England Law Reports,
W.L.R.—The Weekly Law Reports,
T.N.—The Times Newspaper.

The Student's Columns

AUDITING IN PRACTICE

THE TITLE IS significant: this article is entirely practical. The same thought seems to have been in the minds of Spicer and Pegler as long ago as 1911, when they entitled their famous textbook *Practical Auditing*. The reason is clear enough. Auditing is the heartbeat of the profession. It is as auditor that the professional accountant meets his client at least once a year to discuss his examination of the accounts. The accountant will then need to draw on his knowledge of all the other subjects in the accountancy student's curriculum—accounting, law and taxation. In short, auditing presents the opportunity to put into practice all the accountant's knowledge and also, as the years go on, his experience and wisdom.

Small Audits

What has been said is particularly true of small audits of businesses with incomplete records. The owners of such businesses, even businesses that are not limited companies, are soon reminded by the Inland Revenue of the need of our services. They would often be the last people in the world to distinguish between the functions of accountant and of auditor. The Council of the Institute advised in 1955 that whenever a chartered accountant "allows his name to appear on or to be otherwise associated with" accounts—including the use of folders bearing the accountant's name—then there should appear on the face of the accounts either a statement, or a reference to a report, giving a clear indication of the significance of the association of his name with the accounts. It is recommended that "where the member is able to make a short statement, it will normally be more convenient and appropriate for this to appear on the face of the accounts."

Incomplete Records

The first task of the accountant must be to examine the bookkeeping system. Usually, there can be no question of internal check in a very small business and often the problem can be stated as: "what is the minimum amount of work that can be prescribed to the proprietor in order to ensure that full material is available later for proper accounts to be prepared?" Remember that many small businessmen work long hours and are not yet able to engage a competent clerk: at that stage the cost to them of the accountant's bookkeeping assistance may be well

worth while. At a more developed stage, the emphasis may change and the accountant may well suggest that it will pay the client best to do more accounting work, either himself or by employees, so reducing the time spent by the accountant and his staff.

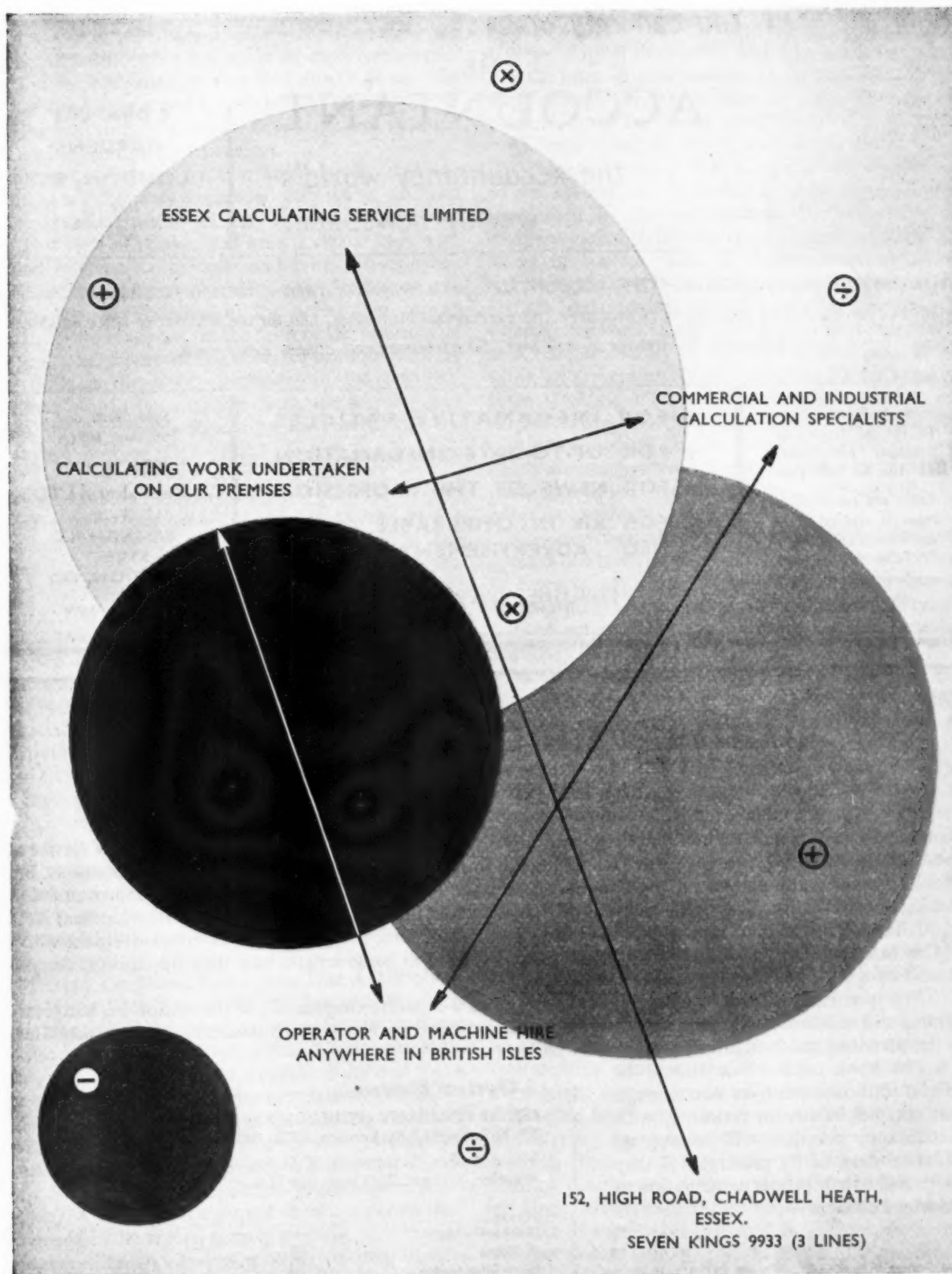
If throughout one keeps the interest of the client before one, as the only consideration, it will be found that the interests of the practice will, in some mysterious way, take care of themselves.

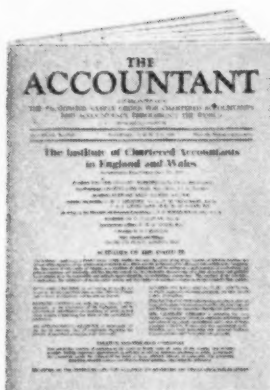
Whatever system is arranged, make clear in the first place that it is clearly understood by the client and his staff. Go back a month or two after it is commenced and check progress. It is better to spend time and energy in establishing well-defined methods than to spend time twelve months later clearing up a muddle.

Often the reason of the first visit to a new client of the type to which we are now referring will be the need for an account for taxation purposes. The whole of the client's private and family circumstances as well as business affairs must be reviewed. The question of incorporation as a limited company must be considered. The client will rightly expect to be advised on the most advantageous arrangements which he can make, after providing for his private obligations, to retain as much of his profits as possible in the business. In the meantime, is his life assurance adequate? Has he taken advantage of the pension provisions for the self-employed? Is his wife working in the business? Perhaps she is the bookkeeper: what is her salary? Is it adequate in relation to her services? The views of the client and his wife may differ on this point, but it is worth remembering that her salary may well exceed £600 per annum before it becomes liable to income tax at the standard rate. Does the client provide for friends or relatives out of taxed income? Would deeds of covenant help?

All this, the student may properly say, has nothing to do with auditing—but at the very early stage of a client's progress, he expects all the service that he can get. One may be acting as bookkeeper, accountant and auditor as well as guide, philosopher and friend.

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which they have received. Wherever appropriate, the accounts should be accompanied by schedules and by a computation. We should ensure that in the accounts and schedules is included sufficient information to enable the Inspector to consider the treatment of any controversial matters in the computation. Our first duty is to see that there has been a true and fair statement of all relevant facts. Our next duty is to ensure that our client pays the lowest possible amount of taxation.

At present, the legal position seems to be that the accountant is liable only to persons with whom he has a contractual relationship—in our simple instance, the client. This view of the law has been accepted only with hesitation in some recent cases and some distinguished lawyers, including Lord Denning, have tended to the view that the responsibility of the accountant should extend to all who may act on the faith of the accuracy of his accounts. Such persons might be, for example, lending banks, trade creditors or purchasers of the business. Even, therefore, in the simplest cases, the wording and presentation of accounts should be considered with the greatest care.

The Private Limited Company

The next stage in our client's development may be the incorporation of the business as a limited company. The advantages and disadvantages of this course, including the taxation aspects, receive ample treatment in the textbooks. Nor need I now enlarge upon the need for carefully choosing the date of the first accounting period of the company.

In the small instance we have been considering, there will be little immediate change in the duties of the accountant-auditor. He must still make himself fully responsible for the accuracy of the accounts. The fact of incorporation, however, brings secretarial duties and even if the accountant or a partner of his is not appointed secretary, there is little doubt that someone in his office will have to do the work. It is the duty of every auditor of a limited company to see that the statutory books of the company are in order, and in the smallest companies this will often mean doing the work himself.

Nevertheless, his function as auditor has now a statutory recognition and Section 162 of the Companies Act, 1948, and the Ninth Schedule to that Act apply.

Before leaving our first client, one practical point on directors' fees. In a private company, the directors are often also substantial shareholders. Never overlook, however, that the company is a separate entity and that a director's remuneration must be properly authorised—by a legal agreement between the director and the company, or suitable provisions in the Articles of Association. In small companies such as ours, it will generally be found that a resolution of the shareholders is necessary. The resolution should form a separate item on the agenda of the annual general meeting, even though the remuneration appears as a separate item in the accounts to be approved at the same meeting. Unless remuneration is properly authorised in accordance with the Articles of the company, directors may find them-

selves at a later date liable to refund the amount of their remuneration to a liquidator.

Internal Check

The first duty of the auditor with a new audit is to inquire into the internal organisation, assuming, now, a business large enough for the question to arise—and no better guidance can be found than the following passages from notes issued by the Council of the Institute.

"Internal control is best regarded as indicating the whole system of controls, financial and otherwise, established by the management in the conduct of a business, including internal check, internal audit and other forms of control. Internal check is best regarded as indicating the checks of the day to day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention or early detection of errors and fraud. Internal check, therefore, includes such matters as the allocation of authorities, the division of work, the proper method of recording transactions and the use of independently ascertained totals, against which a large number of individual entries can be proved, such as sales ledger control account."

The soundness of the system of internal check and the manner in which it is carried out are matters of fundamental importance to the statutory auditor, long recognised as determining to a great extent the amount of examination of detail which the statutory auditor considers it necessary to undertake.

Having been informed by the management of the systems of internal check in operation, in the course of his detailed checking the auditor should take every opportunity of verifying that the system is, in fact, working efficiently. This verification can be done by ascertaining from responsible staff of the business their own understanding of the precise extent of their responsibility. It is always preferable but not always possible that instructions, at least to key members of the staff, should be in writing. Changes of staff and day-to-day alterations in the affairs of the business may easily lead to misunderstandings and to gaps in the control. In these, as in all other audit matters, tact is necessary; the aim should always be to earn a welcome from your client and his staff, as one whose help can always be expected. The auditor should report any deficiencies in the system and he must always have regard, in deciding the extent of his own detailed check, to the circumstances obtaining.

In larger companies, a fully detailed audit is clearly impossible and the co-operation of the client is essential in perfecting an appropriate system of control.

Until there is such a system of internal check the auditor cannot avoid responsibility for defalcations of all kinds, although that responsibility is confined to the exercise of reasonable care and skill. Once, however, an efficient system is in operation, the auditor can direct his work to confirmation that that system is maintained efficiently and to questions of principle.

[To be concluded]

ASSESSMENTS OF MARRIED COUPLES

THE GENERAL RULE is that the income of a married woman while she is living with her husband is deemed to be his income. This rule does not affect the amount of any assessment, which is still made according to the rules appropriate to the source in question—e.g. marriage does not involve assessment as a discontinuance and recommencement of a business. It is really a question of the machinery of collection.

A married woman is regarded as living with her husband unless they are separated under a court order or a deed of separation, or are in fact separated in such circumstances that the separation is likely to be permanent. Should one spouse be absent from or not resident in the United Kingdom for a year of assessment, they are treated as legally separated, but the total tax payable (including surtax) is not to exceed what it would have been if they were not separated.

If the husband does not pay the tax appropriate to the wife's income within twenty-eight days of the due date, it can be collected from the wife, though the husband remains liable until it is paid.

On the death of a married woman, the widower can, within two months from the grant of probate or letters of administration, serve on the personal representatives and the Inspector of Taxes written notice disclaiming the tax appropriate to the deceased wife's income (calculated as if there were separate assessments—see below). The personal representatives may extend the time.

Separate Assessments

Either spouse may claim in writing addressed to the Inspector of Taxes to be separately assessed. The notice must be given within the six months ending on July 6 in the year for which it is first to operate. For the year of marriage, the notice may be given before July 6, in the following year; this is also the date for notice for separate assessment for surtax (given

to the Special Commissioners). The notice holds good until revoked by notice given within like periods. The total tax remains the same, but the amount appropriate to the wife's

income becomes her liability.

Whenever it is necessary to compute the tax appropriate to the wife's income, the reliefs are apportioned as follows:

Income Tax:

- | | |
|--|--|
| (a) Earned income relief | — in proportion to the respective earned incomes. |
| (b) Age relief and small income relief | — in proportion to the respective total incomes. |
| (c) Life assurance relief | — to the spouse who pays the premiums. |
| (d) Dependent relative relief; relief for daughter on whose services an infirm parent relies; relief for adopted child or other child of whom the taxpayer has the custody and maintenance | — the relief is given to the spouse who maintains the dependant, etc. |
| (e) All other reliefs, viz. personal (P.A.), additional personal (A.P.A.), children of either spouse, housekeeper where the wife is incapacitated, and reduced rate relief | — in proportion to the total income (before deducting annual charges) less the earned income relief. |

Illustration

	1958/59						Memo: Wife's minimum reliefs	
	Total	Husband (H.)	Wife (W.)					
	£	£	£	£	£	£	£	£
Income Tax:								
Sch. D, Case I	6,300	6,300						
E, Case I	2,700	1,800	900					
Earned	9,000	8,100	900			900		
Unearned:								
Dividends	1,907	788	1,119					
Building Society interest (B.S.I.)	115		115					
Houses (net annual value and excess rents)	400	400						
Case III—Post Office Savings Bank (P.O.S.B.) interest (excess over £15 in each case) ..	23	13	10					
	11,445	9,301	2,144					900
E.I.R. (8,100 : 900)	1,445	1,301	144			100		
	10,000	8,000	2,000					
P.A.	240							
A.P.A.	140						140	
Children of H. or W.	350							
(8,000 : 2,000)	730	584	146					
Adopted child	150	150						
Dependant	60		60					
Life assurance relief	80	50	30					
	1,020	784	236					
	8,980		1,764					
Deduct B.S.I.	115		115				240	
	8,865	7,216	1,649					660

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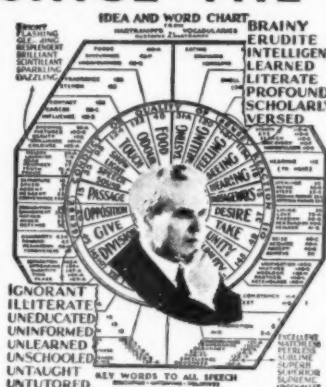
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(8,000 : 2,000)			
£ 720 at reduced rates (full relief)	186 0 0	576	148 16 0
8,145 at 8/6	3,461 12 6	6,640	2,822 0 0
		1,505	639 12 6
8,865	3,647 12 6	7,216	2,970 16 0
		1,649	676 16 6

Wife's reliefs:

On earned income only:		£ s. d.	£ s. d.
£240 at 8/6	.. ..	102 0 0	
360 at reduced rates	.. ..	60 0 0	
			162 0 0
Under separate assessment:			
(£144 + £236) £380 at 8/6	.. ..	161 10 0	
At reduced rates 2/10ths of £120	.. ..	24 0 0	
			185 10 6

Nothing need be deducted from the wife's liability and added to the husband's.

Surtax:

	Total £	Husband £	Wife £
Incomes as above:	11,445	9,301	2,144
Add: Tax to gross up B.S.I.	85		85
Gross of exempted P.O.S.B. interest (£30)	52	26	26
	11,582	9,327	2,255
Deduct: Mortgage interest	158	147	11
	11,424	9,180	2,244
Personal, etc., reliefs (£240 + £350)	590		
Less	140		
	450	362	88
(9,180 : 2,244)	210	150	60
Other reliefs			
	660	512	148
	10,764	8,668	2,096

	£ s. d.
Surtax on £10,764	2,512 4 0
Husband 8,668	
10,764ths	2,023 0 4
Wife 2,096	
10,764ths	489 3 8
	2,512 4 0

There is the limitation that the amount of the reliefs allocated to the wife is not to be less than the minimum amount to which she is entitled in respect of her earned income.

Surtax

The excess of the reliefs mentioned in (e) above (excluding the additional

personal and reduced rate relief, which are not allowable for surtax) over £140 is apportioned in proportion to the respective total incomes. The reliefs in (d) go to the spouse who maintains the relative, etc.

For both income tax and surtax, if one spouse's reliefs exceed his or her income, the excess goes against the other spouse's income.

Accountancy

BINDING OF VOLUME 69

The index to Volume 69 (January—December, 1958) is enclosed with this issue of ACCOUNTANCY.

A grey binding case with white lettering will be obtainable from Simson Shand Ltd. They will bind subscribers' copies at a charge of £1 7s. 6d., or supply the binding case only at 10s., post free. Orders should be sent direct to Simson Shand Ltd., 12/14 Parliament Square, Hertford, Herts., accompanied by the appropriate remittance, the twelve monthly parts and the index. If the monthly parts are posted separately from the order and remittance, a note of the name and address of the sender should be enclosed.

Any missing parts should be obtained from the offices of ACCOUNTANCY at 23 Essex Street, London, W.C.2 and included in the parcel sent to the binders. As the cases are of a standard size, complete sets only can be bound.

Cases are available for earlier years and orders for cases or for binding can be accepted for any year at the same charges.

The Accountants' Christian Fellowship will hold a meeting for Bible reading and prayer on February 2 at 6 p.m. in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.2. The scripture will be John 17, verses 1-11 (the prayer of the Lord Jesus, "Father, the hour has come . . .).

The Fellowship was formed to promote fellowship among Christians preparing for and engaged in accountancy and by so doing to seek to extend the Kingdom of God. Its basis is the acceptance of the principles of the Christian faith as taught in the Scriptures, particularly a personal trust in our Lord and Saviour, Jesus Christ. The Fellowship is interdenominational and membership is open to all accountants and accountancy students. At the present time there are about 430 members, and the number is increasing. The Fellowship will welcome as members all those who love our Lord and Saviour, Jesus Christ, in sincerity and in truth, and who desire to give expression to their faith within the sphere of their business life. Accountants wishing to join should write to the Hon. Secretary, Mr. N. Bruce Jones, C.A., 7a Princes Rise, Lewisham, S.E.13, or enquire at one of the meetings which are announced from time to time in ACCOUNTANCY.

Notices

A one-day conference on **Document Reproduction** will be held on February 23 at the Grand Hotel, Birmingham, under the auspices of the Birmingham Branch of the Office Management Association. At the morning session an address will be given by Mr. H. R. Verry of H.M. Treasury, and in the afternoon there will be a working exhibition of equipment by some thirty manufacturers. Further details are available from Mr. L. R. Julian, c/o Stewarts and Lloyds Ltd., Bond Street Chambers, Birmingham 1 (telephone Midland 2700).

The **BIM-Polytechnic Executive Programme** of four-week residential courses is to be held three times in 1959 to meet the increased demand. Applications come from medium and smaller-sized firms as well as from the large concerns. Courses start on February 2, April 13 and November 9. Enquiries should be addressed to the Department of Management Studies of the Regent Street Polytechnic at St. Katharine's House, 194 Albany Street, London, N.W.1.

Management in a Competitive World will be the theme of the 1959 Midland Management Conference of the British Institute of Management, to be held on February 26 and 27 in the Town Hall, Royal Leamington Spa. The papers will include *Making the Best Use of Capital*, by Mr. J. H. Lord, C.A., and *Development and Training of Managers*, by Mr. H. Eden Smith, A.C.A.

The **British Computer Society** announces that for ordinary members joining before April 30 the subscription for the remainder of the current year is reduced to two guineas. Study groups cover a wide range of subjects, and the following meetings have been arranged:

February 17. "The Simulation of Melting Shop Operations on a Computer," by Mr. R. Neate.

March 18. "An Approach to Learning and Teaching Machines," by Mr. C. E. G. Bailey.

April 16. "The Mechanical Translation of Languages," by Professor L. Hogben.

May 12. "Early Experience with an E.D.P. Installation," by Mr. T. C. Hickman.

Full information on the Society will be sent

on request by the Honorary Secretary, British Computer Society, Finsbury Court, Finsbury Pavement, London, E.C.2.

Two courses for computer users are to be held in London: "Using A.D.P. for Production Planning and Inventory Control" from March 2 to 6, and a basic course, "How to Manage and Control A.D.P." from February 9 to 13. Both are organised by Urwick Diebold Ltd., which was formed this year jointly by John Diebold & Associates Inc. (U.S.A.) and Urwick Orr and Partners Ltd. (Great Britain). Application forms and syllabuses are available from Urwick Diebold Ltd., 29 Hertford Street, London, W.1.

The University of London announces that a course of two lectures on **Economic Growth and the Problem of Inflation**, by Mr. N. Kaldor, B.Sc., M.A., Reader in Economics and Fellow of King's College, Cambridge, will be given at the London School of Economics, Houghton Street, Aldwych, London, W.C.2, at 5 p.m. on February 6 and 13. Admission is free and no tickets are required.

The Institute of Chartered Accountants in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on Wednesday, January 7, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. W. L. Barrows, President, in the Chair; Mr. C. U. Peat, M.C., Vice-President; Mr. E. Baldry, O.B.E., Mr. C. Percy Barrowcliff, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E., Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. J. Clayton, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Mr. P. D. Irons, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E., Mr. H. L. Layton, Mr. R. B. Leech, M.B.E., Mr. R. McNeil, Mr. J. H. Mann, M.B.E., Mr. R. P. Matthews, Mr. W. Bertram Nelson, C.B.E., Mr. W. E. Parker, C.B.E., Mr. S. J. Pears, Mr. F. E. Price,

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Welcome to New Members

The President welcomed Mr. J. A. Jackson and Mr. R. P. Matthews, who were attending for the first time as members of the Council.

Resignation from the Council

The Council received with much regret the resignation of Mr. J. Blakey from his membership of the Council. Mr. Blakey had been a member of the Council since 1937 and was President in 1953/4.

Submission of Clients' Accounts to the Inland Revenue

Section 24, Finance Act, 1958

1. The Council has considered Section 24 of the Finance Act, 1958, in relation to the submission of accounts to the Inland Revenue by members on behalf of clients.

2. Section 24 of the Finance Act, 1958, provides:

(1) Where, after the passing of this act, incorrect accounts are submitted to the surveyor or any Commissioners in connection with the ascertainment of a person's liability to income tax for any year of assessment, that person shall be liable, subject to the following provisions of this section, to be proceeded against as mentioned in paragraph (a) or (b) of sub-section (3) of section twenty-five of the Income Tax Act 1952 (which imposes penalties on persons failing to make certain statements), and the amounts mentioned therein shall be forfeited and

recovered accordingly.

(2) Proceedings under the said sub-section (3) shall not be taken against the same person both by virtue of this section and apart from this section in respect of the same year of assessment.

(3) Where a person discovers that accounts submitted in connection with the ascertainment of his liability to income tax are incorrect and he submits a statement rectifying the accounts, no proceedings shall thereafter be taken against him by virtue of this section in respect of the accounts.

(4) In proceedings taken against any person by virtue of this section it shall be a defence to prove that the accounts were submitted without his consent or connivance.

(5) Where accounts for a period not exceeding a year are submitted in connection with the ascertainment of a person's liability to tax for more than one year the penalty recovered by virtue of this section shall be recoverable in respect of such one only of those years as the Commissioners of Inland Revenue may elect.

3. Sub-section (3) of Section 25 of the Income Tax Act, 1952, provides:

(3) A person . . . shall—

(a) If proceeded against by action in any court, forfeit the sum of twenty pounds and treble the tax which he ought to be charged under this Act; or

(b) if proceeded against before the General Commissioners, forfeit a sum not exceeding twenty pounds and treble the tax which he ought to be charged under this Act,

and where he is proceeded against before the General Commissioners, the penalty shall be recovered in the same manner as any other penalty under this Act, and the increased tax shall be added to the assessment.

4. The law has thus been amended as recommended in paragraph 1057 of the Final Report of the Royal Commission on the Taxation of Profits and Income so as to provide that whenever a taxpayer submits accounts to an assessing authority, either in support of a figure that he has returned or in lieu of a formal return, the accounts shall rank as a return for the purposes of the assessment and penalty provisions of the Income Tax Act.

5. In practice accounts are frequently submitted, not by the taxpayer, but on his behalf by an accountant acting under a direct or an implied authority to submit the accounts for the purpose of ascertaining the client's liability to tax. Although the accountant may have prepared or audited the accounts and has been given authority to submit them to the Inland Revenue the accounts are those of the client who must accept primary responsibility for those accounts.

6. In such circumstances it is important, in view of sub-Section (4), to minimise the risk of misunderstanding between the client and the accountant. Before submitting

accounts to the Inland Revenue members are recommended to take steps to ensure that their clients have approved and signed the accounts and authorised them to be lodged with the Inland Revenue.

Summer Course—Christ Church and Merton College, Oxford—July 9-14, 1959

The Council authorised the distribution to all members of the Institute of a notice giving preliminary details of the Summer Course to be held at Christ Church and Merton College, Oxford, from July 9-14, 1959. The notice will be accompanied by an application form. It is expected that the notices will be distributed during January, 1959.

The subjects and speakers will be:

"Business Efficiency—the part of the Accountant," by Mr. C. I. Bostock, M.A., F.C.A.

"Accounting by Electronic Methods, with particular reference to the Auditor," by Mr. J. W. Margetts, F.C.A.

"Some Practical Aspects of Death Duties," by Mr. B. G. Rose, F.C.A.

Appointments to Committees

The Council made the following appointments to Committees:

Mr. J. A. Jackson—Examinations Committee;

Mr. R. P. Matthews—Articled Clerks and District Societies Committees.

Exemption from the Intermediate Examination

One application under bye-law 85 (b) for exemption from the Intermediate Examination was acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles

The Secretary reported the registration of 235 articles of clerkship during the last month, the total number since January 1, 1958, being 2,660.

Admissions to Membership

The following were admitted to membership of the Institute:

ANDERSON, GORDON ROY REGINALD; A.C.A., 1959; with Dixon, Wilson, Tubbs & Gillett, 24 Basinghall Street, London, E.C.2.

ARMSTRONG, HUGH CLAYTON ALEXANDER; A.C.A., 1959; 110 Chertsey Road, Addlestone, Surrey.

ASHLEY, ALAN MAURICE; A.C.A. 1959; with Deloitte, Plender, Griffiths & Co., 5 London Wall Buildings, Finsbury Circus, London, E.C.2.

BADGER, JOHN STUART; A.C.A. 1959; with Hibbert, Sier, Woods & Co., Capel House, 54 New Broad Street, London, E.C.2.

BEAGENT, DAVID JOHN; A.C.A., 1959; 89 Firs Park Avenue, Winchmore Hill, London, N.21.

BEE, ERIC RAYMOND; A.C.A., 1959; "The Gables," Nocton, Lincoln.

BORG, NEVILLE; A.C.A., 1959; 23 Vandon Court, Petty France, London, S.W.1.

CHIPCHASE, JOHN MICHAEL; A.C.A., 1959; 106 Croydon Road, Newcastle upon Tyne 4.

CLARK, DAVID CLARENCE; A.C.A., 1959; 101 Bradbourne Vale Road, Sevenoaks, Kent.

CRESWICK, (Miss) ANGELA SHIRLEY; A.C.A., 1959; with Kay, Keeping & Co., 51 New Cavendish Street, London, W.1.

CROCKER, MALCOLM STUART; A.C.A., 1959; 32 Burdon Lane, Cheam, Surrey.

DAVIES, COLIN MICHAEL; A.C.A., 1959; 65 Shakespeare Road, Swinton, Manchester.

DAVIES, IAN PENKETH; A.C.A., 1959; with K. H. A. Knight, 7 Market Street, Abergele, Denbighshire.

DERVIN, KENNETH GEORGE; A.C.A., 1959; with Greenhalgh, Sharp & Co., 30 Brown Street, Manchester 2.

FRASER, ALASTAIR THOMAS; A.C.A., 1959; with Seddon, Magnay & Spoor, 46 Grainger Street, Newcastle upon Tyne 1.

§GAVIN, WESLEY JAMES; A.S.A.A., 1959; "The Home," Clee Road, Observatory, Cape Town, South Africa.

HOLLOWAY, ROBERT ERNEST; A.C.A., 1959; 8 Tenby Road, Chadwell Heath, Romford, Essex.

§LEE, VERNON REDVERS; A.S.A.A., 1959; 74 Sir George Street, Colenso, Natal, South Africa.

LIVESEY, ROY; A.C.A., 1959; 12 Highfield Road, Kidderminster.

§MACFARLANE, WILLIAM SELWYN; A.S.A.A., 1959; 206 Kirstenbosch Dundalk Avenue, Greenside East, Johannesburg, South Africa.

MASKELL, CLIFFORD LINSLEY; A.C.A., 1959; 46 Woodfield Drive, East Barnet, Herts.

MAX, LIONEL; A.C.A., 1959; 42 Donnington Road, London, N.W.10.

MILLER, DEREK; A.C.A., 1959; with Starkie & Naylor, 12 East Parade, Leeds 1.

§MITCHELL, JOHN KIRKMAN; A.S.A.A., 1959; 162 Nottingham Road, Kensington, Johannesburg, South Africa.

MOHAMAD, MOHAMAD NOR; A.C.A., 1959; 64 Paya Bunga, Kuala Trengganu, Malaya.

NORRIS, RODWELL HARVEY; A.C.A., 1959; 132 Haig Avenue, Southport.

§ROSS-JONES, DOUGLAS HUGH; A.S.A.A., 1959; with Deloitte, Plender, Griffiths, Annan & Co., 84 Annan House, Fox Street, Johannesburg, South Africa.

ROZARIO, CLIVE JOSEPH LAWRENCE; A.C.A., 1959; with Ford, Rhodes, Williams & Co., 4b Frederick's Place, Old Jewry, London, E.C.2.

§SMITHERIM, LEONARD; A.S.A.A., 1959; 22 The Valley Road, Westcliff, Johannesburg, South Africa.

STALLEY, RONALD CHARLES; A.C.A., 1959; 76 Rectory Road, Manor Park, London, E.12.

THOMAS, (Miss) CERIDWEN MARY; A.C.A., 1959; with J. Wallace Williams & Co., 5 St. Andrews Crescent, Cardiff.

TREVETT, BERNARD; A.C.A., 1959; 12 The Avenue, View Gardens, Richmond, Surrey.

Elections to Fellowship

The following were elected to fellowship:

ARKLEY, CECIL HUMPHREY; A.C.A., 1928; (C. H. Arkley & Co.), 4 Alma Place, North Shields.

BENTLEY, LEOPOLD JOHN; A.C.A., 1929; (Maw, Ellis, Warne & Co.), 4 Gray's Inn Square, Gray's Inn, London, W.C.1.

BOOTH, RONALD PARKYN, V.R.D.; A.C.A., 1948; (*Parkin S. Booth & Co.), 5 Rumford Place, Chapel Street, Liverpool, 3, and at London.

BRADBURY, DENIS CARLOS; A.C.A., 1949; (Maynard Green & Co.), 16 Market Place, Brackley, Northants, and at Daventry.

BUDDING, RAYMOND HENRY; A.C.A., 1958; (S. 1949); (Newby, Dove & Rhodes), Prudential Buildings, Hotel Street, Leicester, and (D. P. Harris & Co.), Norton House, 88/90 London Road, Leicester; also at Loughborough, (D. P. Harris & Co.), (Newby, Dove & Rhodes), (W. H. C. Wayte & Co.) and Melton Mowbray, (Newby, Dove & Rhodes) and (D. P. Harris & Co.).

BUTTERWORTH, PETER JOHN; A.C.A., 1951; (Butterworth, Jones & Co.), 7 Castle Street,

- Bridgwater, and at Burnham-on-Sea, Portland, Weston-super-Mare and Weymouth.
- COLLIN, KENNETH LOVELL; A.C.A., 1935; (Collin & Co.), 84 Grange Crescent, Sheffield, 11.
- COTTERILL, WILLIAM HENRY; A.C.A., 1958; (S. 1949, f. 1956); (Griffin & Co.), Astley House, 13 Frederick Road, Edgbaston, Birmingham, 15.
- EASDALE, HAMISH TAIT, M.A.; A.C.A., 1953; (Turner, Easdale & Co.) and (Whitmarsh, Tomkinson & Co.), 46 Brook Street, London, W.1; also at St. Neots and Cambridge, (Whitmarsh, Sterland & Co.) and Oxford, (Whitmarsh, Tomkinson & Co.).
- ELFORD, FREDERICK WALLACE; A.C.A., 1953; (Samuel Lane & Co.), 21 East Street, Bromley, Kent.
- FROST, GEORGE DENNIS; A.C.A., 1936; (†Milne, Eldridge & Co.), Bethune House, 88 West Street, Farnham, Surrey.
- GALE, JOHN HENRY; A.C.A., 1958; (S. 1949); (Eric Phillips & Co.), 31 King's Road, Sloane Square, London, S.W.3.
- GREEN, RAYMOND JOHN; A.C.A., 1958; (S. 1952); (Newby, Dove & Rhodes) and (D. P. Harris & Co.), The Red House, 14 Park Road, Melton Mowbray; also at Leicester (Newby, Dove & Rhodes) and (D. P. Harris & Co.), and Loughborough, (D. P. Harris & Co.), (Newby, Dove & Rhodes), and (W. H. C. Wayne & Co.).
- HAMILTON, JOHN ROBERTSON; A.C.A., 1953; (Waller Broad & Co.), 30 Fleet Street, London, E.C.4.
- HARTLEY, TOM STEPHENSON; A.C.A., 1958; (S. 1931); (*Varley, Edmondson & Co.), Martins Bank Chambers, Burnley Road, Padiham, near Burnley, and at Clitheroe.
- HASLAM, FRANK; A.C.A., 1925; (Frank Haslam & Son), 9 Bold Street, Warrington.
- HINTON, GEOFFREY; A.C.A., 1947; (*Cooper Brothers & Co.) and (*Coopers & Lybrand), Lewis & Marks Building, 65 President Street, Johannesburg, and at Durban, East London, Port Elizabeth, Vanderbijlpark and Virginia.
- ISAACS, SAMUEL LEONARD; A.C.A., 1950; (Grainger, Bonn & Co.), 73/74 Marylebone High Street, London, W.1.
- JENNINGS, ROLAND GODFREY, M.A.; A.C.A., 1952; (Leithead, Jennings & Co.), 49/50 John Street, Sunderland.
- KING, JOHN MICHAEL EWEN; A.C.A., 1951; (Lomax, King & Rothmer), 83 Bridge Street, Manchester 3.
- LONG, WILLIAM CASSON; A.C.A., 1951; (Clifford Long & Son), The Manor House, Manor Street, Bradford.
- MCGUIRE, STANLEY PATRICK; A.C.A., 1952; (H. P. Gould & Son), 8 Upper King Street, Norwich.
- MEREDITH, GEORGE; A.C.A., 1935; (R. S. Dawson & Co.), 11 Cheapside, Bradford.
- MOORE, HARRY ANTHONY COLIN; A.C.A., 1958; (S. 1952; f. 1956); (*Stephenson, Smart & Co.), 3a Market Place, Spalding, Lincs.
- OGDEN, WILLIAM ROBERT CAMPBELL; A.C.A., 1952; (Ogden, Hibberd Bull & Langton), Audrey House, Ely Place, London, E.C.1.
- OPPENHEIM, HENRY ROLF; A.C.A., 1927; (†Peat, Marwick, Mitchell & Co.), Hong Kong Bank Buildings, (P.O. Box 104), Ipoh, Malaya, and at Kuala Lumpur, Penang and Singapore.
- PEACH, FREDERICK BERNARD; A.C.A., 1931; 183 Horninglow Street, Burton-on-Trent; also at Malvern (*Walters, Peach & Co.) and Wolverhampton (*Burden & Co.).
- POTTER, JOHN ALISTAIR; A.C.A., 1949; (Ogden, Hibberd Bull & Langton), Audrey House, Ely Place, London, E.C.1.
- PRASHKER, STANLEY LIONEL; A.C.A., 1953; (*Lubbock, Fine & Co.), 21 Red Lion Street, London, W.C.1.
- REID, EDWARD HAROLD; A.C.A., 1930; (†Richardson, McEvilly & Reid), 211 Grand National Building, Rissik Street, (P.O. Box 2924), Johannesburg.
- ROBERTS, RAYMOND ARTHUR; A.C.A., 1951; (Bristow, Sturge, Roberts, White & Co.) and (Baxter, Roberts & Co.), 9 Harley Street, London, W.1; also at Southend-on-Sea (Baxter, Roberts & Co.).
- ROTHMER, BERNARD MARK, B.A.(COM.); A.C.A., 1949; (Lomax, King & Rothmer), 83 Bridge Street, Manchester, 3.
- SCOTT, ARTHUR EDWARD; A.C.A., 1958; (S. 1950); (Welford, Scott & Co.), 158 Bishopsgate, London, E.C.2.
- SEAL, ALAN JOHN; A.C.A., 1951; (Wells & Partners), "Alandale," 79 Wellesley Avenue, Iver, Bucks, and at Hounslow, London and Twickenham.
- STEWART, JACK KENNETH; A.C.A., 1953; (Tessier, Son & Randall), 19 Lansdowne Court, Purley, Surrey.
- STEWART, ROBERT MCKINLAY; A.C.A., 1958; (S. 1947); (R. M. Stewart & Co.), 8 Silver Street, Enfield, Middlesex.
- STOKOE, RALPH; A.C.A., 1947; (Andrew Reed & Son), Lowther Street, Whitehaven, and (Nicholson & Franks), 134, Queen Street, Whitehaven.
- STRAUGHAN, JONATHAN NICHOLSON; A.C.A., 1952; (J. N. Straughan & Co.), Central Chambers, Front Street, Chester-le-Street, Co. Durham, and at Claypath, Durham City.
- TOMPKINS, FREDERICK HENRY GEORGE; A.C.A., 1932; (Baker, Tompkins & Co.), Paxton House, 36/38 Dean Street, London, W.1; also at 35 John Street, London, W.C.1 (Mears, Judd & Co.).
- TONER, JAMES; A.C.A., 1939; (*Brown, Topham & Partners), 14 North John Street, Liverpool 2.
- TRILL, LESLIE RICHARD; A.C.A., 1949; (†Bird, Potter & Macrae), 28 Victoria Street, London, S.W.1.
- WILLIAMS-ASHMAN, EDMUND ARNOLD; A.C.A., 1950; (Bristow, Sturge, Roberts, White & Co.), 9 Harley Street, London, W.1.
- WRIGHT, FREDERICK WALTER; A.C.A., 1958; (S. 1932); (Gould & Co.), 8 Upper King Street, Norwich.

Use of Letters F.S.A.A.

Applications from the following incorporated accountant members A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the scheme of integration referred to in clause 34 of the Supplemental Charter were acceded to:

- CLAY, ERNEST CHARLES; (1958) A.S.A.A., 1946; Borough Treasurer, Mitcham Corporation, Town Hall, Mitcham, Surrey.
- FRIEDMAN, JULIAN ARTHUR; (1958) A.S.A.A., 1953; (†J. A. Friedman & Co.), (P.O. Box 2137), 607 J.B.S. Building, Church Square, Pretoria.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- AIREY, NIGEL; A.C.A., 1958; Fleet Chambers, 58 Jameson Street, Hull.
- ASH, STANLEY ALEXANDER; A.C.A., 1958; (S. 1957); (S. A. Ash & Co.), 24 Princess May Road, London, N.16.
- BLACKBURN, CHARLES STANLEY; A.C.A., 1953; (Downs, Blackburn & Co.), Bar Chambers, North Bar, Beverley, E. Yorks.
- BROWNE, JOHN DUNSMORE; A.C.A., 1956; 54 Upper Selsdon Road, Selsdon, S. Croydon, Surrey.
- CLARKE, ALBERT EDWARD; A.C.A., 1955; 27 Drummond Drive, Nuthall, Notts.
- CONDER, ALAN GORDON; A.C.A., 1950; (Godard, Mellersh & Lepine), 833 Salisbury House, London Wall, London, E.C.2.
- CURTIS, IVOR THOMAS CHAYTOR; A.C.A., 1949; (Temple & Curtis), 185 High Street, Lincoln.
- ELLAWAY, ARTHUR ERNEST; A.C.A., 1932; 222 High Road, Broxbourne, Herts.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from eight members of the Society of Incorporated Accountants for admission to membership of the Institute under clauses 3 and 4 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter. All the new members have been

- GOODKIN, DAVID, B.A.; A.C.A., 1958; 43 Elmdon Road, Selly Park, Birmingham, 29.
- GREEN, DOUGLAS JAMES; A.C.A., 1958; (Cookson, Topham & Co.), Midland Bank House, 26 Cross Street, Manchester 2.
- HARRIS, NAPHTHIA; A.S.A.A., 1958; (N. Harris & Co.), 64/66 Church Street, Camberwell, London, S.E.5, and 113 Wavertree Road, Streatham Hill, London, S.W.2.
- HASLAM, FRANK JACKSON; A.C.A., 1957; (Frank Haslam & Son), 9 Bold Street, Warrington.
- HUNTER, JOHN CAMPBELL, M.A.; A.C.A., 1958; (W. B. Keen & Co.), Finsbury Circus House, Blomfield Street, London, E.C.2.
- JOHNSON, DENIS ALFRED; A.C.A., 1953; 22 Leam Terrace, Leamington Spa.
- JONES, RICHARD WALTER EDWARD; A.C.A., 1958; (*Percy Hollands & Co.), 40 Tonbridge Road, Maidstone, Kent.
- LLOYD, ARTHUR SELWYN, T.D.; A.C.A., 1938; (*Walters, Peach & Co.), St. Lawrence, 36 Graham Road, Malvern, Worcs.
- LOVEDAY, PETER DONALD; A.C.A., 1956; (R. N. Store & Co.), 32 Market Place, Brigg, Lincs.
- LOVEGROVE, ERIC ALFRED; A.C.A., 1958; (S. 1957); 65 Elgodd Avenue, Northwood, Middlesex.
- MIDGLEY, KEITH HARPER; A.C.A., 1956; (Midgley, Snelling & Co.), Ibbex House, Minories, London, E.C.3; also at Accra and Takoradi (Midgley, Snelling, Barnes & Co.).
- MILNE, PETER BRUCE; A.C.A., 1956; (Littlejohn, Wilson, McKnight & Co.), 15 Cullum Street, Fenchurch Street, London, E.C.3, and 18 Gower Street, London, W.C.1.
- MYERS, BRIAN; A.C.A., 1958; (S. 1955); (Frank Myers & Sons), 29 High Street, Wetherby, Yorks.
- O'SULLIVAN, TERENCE; A.C.A., 1958; (S. 1930); (W. B. Keen & Co.), Finsbury Circus House, Blomfield Street, London, E.C.2.
- POWELL, ALAN FLETCHER, O.B.E., T.D.; A.C.A., 1946; (†Peat, Marwick, Mitchell & Co.), National Bank Building, 24 Fenwick Street, Liverpool, 2, and at Barrow-in-Furness and Manchester.
- REES, NORMAN EDWARD; A.C.A., 1958; (S. 1947); (Bolton, Wawn & Co.), 3 and 4 Clement's Inn, Strand, London, W.C.2.
- RENTON, HAMISH SCOTT; A.C.A., 1958; 73 Ethelburga House, 91-3 Bishopsgate, London, E.C.2.
- SILCOCKS, TREVOR BERESFORD; A.C.A., 1956; 227 Cheltenham Road, Bristol, 6.
- SIMS, JAMES ARTHUR; A.C.A., 1958; (S. 1953); (Sims, Neighbour & Co.), "Windy Ridge," Monument Lane, Chalfont St. Peter, Bucks, and at Chalfont St. Giles.
- STOUGHTON-HARRIS, ANTHONY GEOFFREY; A.C.A., 1956; (W. B. Keen & Co.), Finsbury Circus House, Blomfield Street, London, E.C.2.
- TURNER, JOHN OLDHAM; A.C.A., 1954; (H. P. Gould & Son), 8 Upper King Street, Norwich.
- WEBSTER, JEREMY, M.A.; A.C.A., 1957; (Derek Webster & Co.), Baker Street Chambers, 136 Baker Street, London, W.1.
- WOODWARD, ALAN JOSEPH; A.C.A., 1958; (S. 1947); "Langthwaite," Copthorne Bank, near Crawley, Sussex.
- YEARSLEY, GEOFFREY BRADBURN; A.C.A., 1958; (Arnold Watson & Co.), Chronicle Buildings, 74 Corporation Street, Manchester 4.

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(S-1)

notified. The total number of members now admitted under the scheme is 10,043.

Subject to payment of the amounts required by the Council, the Council acceded to applications from two former members of the Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the Supplemental Royal Charter.

Re-admissions to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the Supplemental Royal Charter. One application was refused.

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

RUFFLE, BRIAN DUDLEY to RUFFLE-KLUGKIST, BRIAN DUDLEY.

Resignations

The Council accepted the resignations from membership of the Institute of:

CAVANAGH, HUGH; A.C.A., 1933; 18 Farquhar Road, Edgbaston, Birmingham.

COATES, WALTER GEORGE; A.C.A., 1920; The Timbered House, South Kilworth, near Rugby.

LARKMAN, RAYMOND, M.B.E., B.Sc.; A.C.A., 1918; Finance Dept., National Coal Board, Hobart House, Grosvenor Place, London, S.W.1.

ORMROD, MICHAEL BRUCE; A.C.A., 1948; c/o Henry Ansbacher & Co., 117 Bishopsgate, London, E.C.2.

SAUNDERSON, SAMUEL ALFRED; F.C.A., 1930; 261A Finchley Road, Hampstead, London, N.W.3.

STABLES, JOHN NORMAN, B.COM.; A.C.A., 1928; 21 Foxglove Avenue, Leeds, 8.

TREVVETT, LESLIE PILLINGER; A.C.A., 1935; 17 Westminster Drive, Burn Bridge, Harrogate.

§ WICKHAM, MONTAGUE; (1958) A.S.A.A., 1908; 67 West Street, Ewell, Surrey.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

BASKERVILLE, GEORGE ERNST, A.C.A., Manchester.

BOOTH, HENRI ROBERT, F.C.A., London.

BRANSON, CLEMENT ROY, F.C.A., Rotherham.

COLEMAN, WALTER JOHN READER, A.C.A., Oxford.

COLWELL, EDGAR WILLIAM, F.C.A., Lydney.

COPLEY, WILFRED HAROLD, F.C.A., Rotherham.

DIXON, HUBERT NORMAN, J.P., F.S.A.A., Hesse.

DORN, JAMES STANLEY GOOLD, A.C.A., Oxford.

HANMER, THOMAS LESLIE, F.C.A., Liverpool.

HARDING, GEOFFREY NORMAN, A.C.A., Worcester Park.

HARRIS, GEORGE JAMES, M.C., A.C.A., York.

HARRIS, HARRY, F.C.A., London.

HILL, EDWARD, F.C.A., London.

HUGHES, HYWEL THOMAS, A.C.A., Llandudno.

HUMPHRIES, JAMES, A.C.A., Nottingham.

ILLINGWORTH, NORMAN, A.C.A., Leeds.

JONES, DAVID BRADWYN, A.C.A., Teignmouth.

JONES, SYDNEY ARTHUR, A.C.A., London.

LEWIS, JOHN MEREDITH, A.C.A., London.

MERRETT, HENRY CHARLES, F.C.A., Beaconsfield.

MORGAN, HENRY BERTRAM, A.C.A., Birmingham.

REED, GEOFFREY WILLIAM, A.C.A., London.

ROBERTS, ROBERT WILLIAM, F.S.A.A., Buenos Aires.

SCOTT, SIR ANGUS NEWTON, F.C.A., Worthing.

SCOTTER, STANLEY, F.C.A., Hull.

SHEPHERD, GUY, T.D., A.C.A., Purley.

SHERMAN, REGINALD ARNOLD, LL.B., A.C.A., London.

TURNER, HARRY, A.C.A., Cardiff.

WALTON, (MISS) WINIFRED MARY, A.C.A., London.

WARNER, GEORGE WILFRED, A.C.A., Bloemfontein.

Buildings, Addiscombe Road, Croydon, Surrey, be reprimanded.

Taxation and Research Committee

THE ONE-HUNDREDTH meeting of the Taxation and Research Committee was held at the Institute on December 18, 1958.

Present

Mr. E. N. Macdonald, D.F.C. (in the chair), Mr. R. D. R. Bateman, M.B.E., Mr. C. V. Best, Mr. A. Blackburn, Mr. K. A. Buxton, Mr. W. R. Carter, Mr. J. Cartner, Mr. R. A. Chermside, Mr. J. B. L. Clark, C.B.E., Mr. L. H. Clark, Mr. H. O. H. Coulson, Mr. S. M. Duncan, Mr. W. F. Edwards, Mr. A. R. English, Mr. F. J. Eves, Mr. E. S. Foden, Mr. C. R. P. Goodwin, Mr. N. B. Hart, O.B.E., T.D., Mr. W. S. Hayes, Mr. J. S. F. Hill, Mr. G. N. Hunter, Mr. J. A. Jackson, Mr. R. O. A. Keel, Mr. J. A. B. Keeling, D.F.C., Mr. S. Kitchen, Mr. R. P. Matthews, Mr. C. F. Millard, Mr. G. P. Morgan-Jones, Mr. F. S. Mowforth, Mr. L. Pells, Mr. C. J. Peyton, Mr. A. H. Proud, Mr. J. D. Reekie, Mr. D. W. Robertson, Mr. B. D. Shaw, Mr. H. C. Shaw, Mr. H. Eden Smith, Mr. A. E. Spicer, Mr. D. Steele, Mr. D. E. T. Tanfield, Mr. A. G. Thomas, Mr. D. T. Veale, Mr. J. W. Walkden, Mr. F. J. Weeks, Mr. T. S. Welch, Mr. A. Whittaker, Mr. E. K. Wright, and Mr. G. H. Yarnell, with Mr. T. W. South, Secretarial Assistant.

Secretary to the Taxation and Research Committee

The Committee unanimously agreed to convey a message to the Secretary, Mr. Noyes, expressing the regret of the members of the Committee at his inability to attend the meeting and their best wishes for his speedy recovery.

Arrangements for the luncheon preceding the meeting

The Committee unanimously agreed to convey its thanks to the Secretary of the Institute for the excellent arrangements for the luncheon preceding the meeting.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees:—

General Advisory Sub-Committee
Management Accounting Sub-Committee
Taxation Sub-Committee
Planning Sub-Committee.

Business Efficiency

The Committee was informed that the statement *Business Efficiency—The contribution which the accountant can make* had been approved by the Council, despatched to members for insertion in the

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on December 3, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Harold Stephen Hope, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3) of the supplemental Royal Charter in that (a) he failed to reply to two letters addressed by a firm of solicitors to him as liquidator of a limited company in voluntary liquidation requesting information in relation to the liquidation of that company; (b) he failed to reply to two letters addressed to him by the Secretary of the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Harold Stephen Hope, A.C.A., had been proved under both headings and the Committee ordered that Harold Stephen Hope, A.C.A., of 3 Imperial

§ Means "incorporated accountant member."

Firms not marked † or * are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Members' Handbook and also made available for purchase in booklet form.

Ad hoc Sub-Committees

Progress reports were received from four special sub-committees.

Future meetings

The next meeting of the Committee was arranged for Thursday, February 19, 1959, and the following are the normal dates for other meetings in 1959: Thursday, April 16, 1959; Thursday, June 18, 1959; Thursday, September 17, 1959; Thursday, October 15, 1959; and Thursday, December 10, 1959.

Luncheon

To mark the occasion of the one-hundredth meeting of the Taxation and Research Committee of the Institute of Chartered Accountants in England and Wales, a luncheon was held in the Oak Hall at Moorgate Place, E.C.2, on December 18, 1958, immediately preceding the meeting. Mr. E. N. Macdonald, D.F.C., Chairman of the Committee, presided, and those present included, in addition to the members of the Committee, the President of the Institute (Mr. W. L. Barrows, LL.D., J.P.), the Vice-President of the Institute (Mr. C. U. Peat, M.C.), and Sir Harold Barton, Mr. T. Fleming Birch, Mr. W. G. Campbell, Mr. J. Clayton, Mr. S. Dixon, Mr. G. G. G. Goult, Mr. G. S. Hamilton and Mr. G. F. Saunders, all past chairmen of the Committee.

After the loyal toast the Chairman welcomed the President and the Vice-President of the Institute and past-chairmen of the Committee and said how much he regretted that Mr. A. S. MacIver, the Secretary of the Institute, and Mr. L. J. H. Noyes, the Secretary to the Taxation and Research Committee, could not be present on this occasion, for the worst of reasons, that of ill-health. He called upon the President to propose the toast of "The Taxation and Research Committee, past, present and future."

The President said that he had seen Mr. MacIver that morning and could report that he was well and had heard that Mr. Noyes had undergone an operation which was successful. He continued:

"This afternoon the Taxation and Research Committee is due to meet in the usual way in the Council Chamber. When it does so it will have achieved its one-hundredth meeting. It is, of course, by no means unknown for a batsman to be out at ninety-nine and some of you may wonder whether this has anything to do with the presence of myself and some other strangers at this luncheon. Well, let me say at once that, unlike Mark Anthony, I come to praise the Committee not to bury it.

For me personally it is a most happy coincidence that the Committee's one-hundredth meeting should take place in my year of office as President of the Institute. I was not unconnected with the origins of the

Committee and I had the honour to be one of its first members. It has achieved far more than any of us dared hope in those days, so that what I have to say today is a very real pleasure.

Perhaps the most remarkable feature of the Committee is that it was born in 1942, which by no standards can be regarded as a year of optimism. Most of our thoughts were then concentrated on mere survival and there was little time or encouragement to plan for the future. Moreover, a good many wartime babies proved to be little horrors; consider for example the Finance Act, 1940. Historians may rightly wonder how in that dark period the Institute managed not merely to build for the future but to build so well. The establishment of the Taxation and Research Committee has enabled the Council to extend enormously the scope of its activities for the good of our profession and those who need the services we provide. It has also brought about a great welding of the two main branches of our membership—those in industry and those in public accountancy. A judicious mingling of the thoughts and experiences of members in both branches is vital to the work of the Committee and the future of the Institute. Some ten years ago the late Gilbert Shepherd told the Committee that he thought its membership should as far as possible be on a 'fifty-fifty' basis. That is a goal which has proved elusive but the effort should be maintained. We all know that for various reasons it is often difficult or impossible for a member in industry and commerce to give the time he would wish to the work of the Committee and we must therefore be all the more appreciative of the efforts of those who do make a major contribution.

Membership of the Committee is by no means an occasional hobby. It demands great sacrifice of time in attending meetings, studying the papers issued for them and not infrequently preparing written contributions. Meetings of the full committee provide an opportunity for all its members to express their views on the documents brought forward by sub-committees. The detail work, often extensive and difficult, is done by the sub-committees and perhaps some slight indication of the burden they carry is reflected in the number of meetings. Whereas the full committee today reaches its one-hundredth meeting in sixteen years, the number of sub-committee meetings now exceeds one thousand. The sub-committees make the runs and the full committee takes the wickets.

I suppose one can fairly say that the qualities required for membership of the Committee are the readiness and ability to give the time required, the possession of wide experience or special experience in a particular field, the readiness to recognise that others may hold different views from one's own and above all a *practical* approach without which it is useless to try to compile practical guidance.

Broadly, the work of the Committee is of two kinds, one leading to the submission of

documents by the Council to some other body and the other leading to the issue of documents by the Council for the guidance of members. The latter are familiar enough. They include the *Recommendations on Accounting Principles* and the considerable number of other technical documents, of which the latest, on *Business Efficiency*, has this week been distributed to members.

On the other hand, the volume of documents submitted to other bodies tends to be less evident because their effective life is limited. Nevertheless the need for such documents provides a continuous demand on the resources of the Committee. None of those who took part in their preparation is likely to forget the time and effort devoted to the memoranda for the two Tucker Committees and the Royal Commission on Taxation of Profits and Income. Then there is the yearly—sometimes twice yearly—task of examining the Finance Bill at short notice in the hope of persuading the Chancellor to make appropriate changes.

I believe that in all the number of major Council documents which have resulted from the work of the Committee is in the region of forty on taxation alone. When we add other subjects such as company law and bankruptcy law the true measure of the Committee's work begins to become apparent.

In its work the Committee has, throughout its existence, had the advantage of being able to obtain the views of the regional committees, thereby broadening greatly the area of experience on which the final document can be based. It would be remarkable if on any particular document the Committee were able to accept all the suggestions submitted by the regions and likewise it would be remarkable if the Parliamentary and Law Committee, in its turn, were able to recommend to the Council, without alteration—sometimes major alteration—a document prepared by the Taxation and Research Committee.

Such differences are inevitable and they must not be exaggerated. The really important point is that without the continuous assistance of the Committee it would have been impossible for the Council to have issued during the past sixteen years the truly large volume of advice to members and others.

The new *Members' Handbook* has now been launched and its contents will be completed as soon as possible. When this has been done the handbook will provide impressive evidence of what has been achieved. I remember the late Sir Charles Palmour, at the Committee's first meeting in July 1942, which he attended as President of the Institute, expressing the hope that the deliberations of the Committee would prove beneficial to the Institute and to the profession. If the next sixteen years prove as fruitful as the last (and I am sure they will) we need have none of the apprehension which Palmour must have felt as he launched so revolutionary a change in the Institute's affairs.

I give you the toast of the Taxation and

Research Committee coupled with the names of its present Chairman, Mr. Macdonald, its first chairman, Sir Harold Barton and another of its past chairmen, Mr. Clayton."

In response the Chairman of the Committee said:

"Mr. President and Gentlemen. It is always pleasant to take part in a celebration, particularly a celebration which has no exact precedent. Not only are we marking the occasion of the Committee's one-hundredth meeting, but I believe it is the first time the Committee has taken any sort of *social* notice of itself, and certainly as far as my experience goes it is the first time anyone has proposed a toast in honour of the Committee.

Some of you may have noticed a slightly odd thing about this luncheon; there is the loyal toast and the toast to the Committee but no toast labelled 'Our Guests.' This is a matter of great delicacy, but there is no harm in having a bit of fun with the delicacies of life so long as nobody's feelings are going to be hurt. It is rather like the end of the Caucus race in 'Alice', when the dodo announced, after deep thought, 'Everybody has won and all must have prizes.' Here we can say 'Everybody is a guest and all must have lunch.' So that is why there is no toast to Our Guests and why, instead, I said a word of welcome at the outset. I shall be grateful, however, Mr. President, if you will accept on behalf of the Council, the very sincere appreciation of the Taxation and Research Committee for the honour which the Council has done us in making this an Institute function and in the presence here of yourself and the Vice-President.

I must confess to a moment of uneasiness when the President opened his speech with a reference to Mark Antony. It is true he said he had come to praise us, not to bury us, but Mark Antony was a first-class dissembler and proceeded in his speech to do the very opposite of his expressed intention. However, the President has preserved the double dissimilarity and has done what he said he would do—he has indeed praised the Committee and in so doing he has given a wonderfully concise review of the scope of the Committee's work over the past sixteen years.

In the course of his speech he touched on a matter which is very much in the minds of the Committee at the present time, namely the shortage of members from industry and commerce. It is not merely a question of paying homage to the ideal of a 'fifty-fifty' basis. It is a question of practical necessity if the Committee is not to be hampered in those aspects of its work where the advice and experience of members in industry and commerce are so desirable.

You have rightly stressed, Mr. President, that the time devoted to work on this Committee, if a member is to pull his weight, is by no means inconsiderable and what we have to do is to persuade our friends in industry and commerce that time can and should be made available. Somehow we must get the ear, not only of members of the

Institute, but of chairmen and Boards of directors generally, because it is evident that many of our members in industry and commerce cannot find time to serve on the Committee without the support and encouragement of the chairman and directors of the organisations which they serve.

It could be truthfully said that the Institute plays a considerable part in the training of accountants for industry and that it is not unreasonable that industry in return should allow its professional members to play their part in their professional Institute's activities. In addition, it is fair to say that a good proportion of the output of this Committee is of considerable interest to industry and commerce.

My immediate predecessor, Mr. Dixon, speaking at the inaugural meeting at Tring of a new London Group a few months ago, was generous enough to say that the benefit was not wholly one-sided—that the contacts and discussions involved in the work of the Taxation and Research Committee had done something for *him* and that his company recognised this factor themselves.

How this message is to be put across is not for pondering here, but I think it is a matter which ought to be tackled."

After some recollections of past events in the Committee the Chairman continued:

"It was at the eighth meeting of the Committee that Mr. Barton as he then was indicated his desire to resign his office, owing to his double duty as Vice-President of the Institute and Chairman of the Committee.

That must have been a sad but inevitable moment for the Committee and Sir Harold must have been shouldering a very heavy burden. All of us, I am sure, would wish to pay tribute to the solid foundations that were laid in those early years of the Committee's existence and to the building up of standards and traditions achieved by all our predecessors.

There are two people without whose service to the Committee its reputation would not be what I hope and believe it is today—Mr. Wilkinson and Mr. Noyes. Mr. Wilkinson acted as Secretary to the Committee, in addition to his other duties, from 1946 to 1954, with the assistance during his last years of Mr. Saunderson. Mr. Noyes was appointed full-time Secretary in 1954, and, except for occasional poaching by the Parliamentary and Law Committee, he so continues. The work of both of them has been beyond praise and their unfailing willingness and cheerfulness have been remarkable. I have never ceased to marvel at the skill with which, out of possibly half-an-hour's discussion—fragmentary, discursive and occasionally downright irrelevant—they can produce a series of paragraphs of orderly thought, which each of us recognises as what he had been trying to say if only the other fellows had given him a chance. We are very grateful to them indeed.

Mr. President, it must have seemed a venturesome step indeed that the Council took in 1942 in setting up this Committee and nobody is better fitted than you, as one

of its founder-members, to express approbation or disappointment sixteen years later. You have spoken very warmly of the Committee's work, and to a larger audience than this, and you have expressed confidence in the Committee's future. We will do our best, I assure you, to justify it."

In addition there were responses by Sir Harold Barton and Mr. J. Clayton.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following: Decision Making and Productivity; by S. Melman. Oxford. 1958. (Basil Blackwood, 27s. 6d.)

Document Copying and Reproduction Processes; by H. R. Verry. 1958. (Fountain Press, 52s. 6d.)

The Economics of Collective Bargaining; by P. Ford. Oxford. 1958. (Basil Blackwell, 10s. 6d.)

Essentials of Accounting; by W. A. Paton and R. L. Dixon. New York. 1958. (Macmillan, 52s. 6d.)

Income Tax, Surtax and Profits Tax; by E. M. Taylor, F.C.A.: 15th edn. by J. L. Turner, F.C.A. 1958. (Textbooks, presented, 30s.)

Integrated Auditing; by S. W. Peloubet and H. Heaton. New York. 1958. (Ronald Press, 52s. 6d.)

Law for Co-operatives; by D. Jenkins. Oxford. 1958. (Basil Blackwell, 21s.)

Outlines of Industrial Law; by W. M. Cooper: 3rd edn. by W. M. Cooper and J. C. Wood. 1958. (Butterworth, 35s.)

Paterson's Licensing Acts; by J. Paterson: 67th edn. by F. M. Smith. 1959. (Butterworth, 70s.)

Spicer and Pegler's Income Tax and Profits Tax; by E. E. Spicer, F.C.A. and E. C. Pegler, F.C.A.: 23rd edn. by H. A. R. J. Wilson, F.C.A. 1958. (H.F.L., 30s.)

Taxation Manual . . . ; 9th edn.: by P. F. Hughes. 1958. (Taxation Publishing Co., presented, 25s.)

†The Union of the two noble and illustre families of Lancaster & Yorke, . . . (by Edward Halle). (Richard Grafton.) 1550.

†This book has recently been purchased by the Institute, and at first sight it may appear to be a strange companion to the collection of early books on accounting. Perhaps the story is best told backwards.

James Peele's book on bookkeeping, the second one in English to have survived, was printed by Richard Grafton and published in 1553. Peele had been made Clerk to Christ's Hospital the year before and had at once set about writing up the foundation's books on double entry principles, the "method of venice." These ledgers, written in his own hand, still exist.

It was in 1553 that Richard Grafton was made Treasurer of Christ's Hospital. He

had played an important and active part in the establishment of the charitable foundations of the City and unobtrusively paid into their accounts substantial sums of money.

And in 1547 Richard Grafton printed the first book on double entry in English, a translation from the French of a book by Ympyn that first came out in Dutch. But Grafton's best known work was started in 1538 in Paris. He was working there with E. Whitchurch on the production of the Great Bible, but the Inquisition got on to them and they had to return in a hurry to England. Fortunately Thomas Cromwell was able to buy the presses and the type from the French, and these were set up by Grafton in a part of the Christ's Hospital buildings which had been leased to him by the Sovereign.

It is clear that Richard Grafton used type and blocks from these presses for Halle and for Ympyn, and the elaborate title page border used in them is the same. The decorated initial letters portray Biblical scenes. They are two inches square, and in Ympyn there is an A, a C and an L; in Halle the same L appears twice and there is a V and a T. The chronicle itself is of considerable merit and interest. The Dictionary of National Biography expresses the opinion that the early part, followed closely by Shakespeare in his earlier plays, is without independent value but the part on Henry VII and the earlier years of Henry VIII is stated to be of importance and authority.

Richard Grafton was an enthusiast for the "new learning," for the publication of the Bible in English, for the charitable schools and "hospitals" set up in the City of London. He took an active part in all these things. It is surely only reasonable to conclude from the evidence that he probably also played an active part in the introduction of double entry into England, over and above just printing two of the first three English books on the subject.

Professional Standards and the Conflict of Ideas

THE ANNUAL DINNER of the Liverpool Society of Chartered Accountants was held at the Adelphi Hotel, Liverpool, on November 28. The company of approximately 550 was presided over by Mr. J. F. Allan, F.C.A. (President of the Liverpool Society), and the guests included the Lord Mayor of Liverpool (Alderman Harry Livermore); the Rt. Hon. Selwyn Lloyd, C.B.E., T.D. (Secretary of State for Foreign Affairs); Sir Ambrose Dundas Flux Dundas, K.C.I.E., C.S.I. (Lieutenant Governor of the Isle of Man); Mr. W. L. Barrows, LL.D., J.P., F.C.A. (President of the Institute of Chartered Accountants in England and Wales); Mr. T. B. S. Johnson, J.P.; Mr. E. Holland Hughes, LL.M. (President of the Incorporated Law Society of Liverpool); Brigadier C. C. Parkman, O.B.E., J.P., M.I.C.E. (Chairman of the Incorporated

Chamber of Commerce of Liverpool); Mr. R. Wynne Bankes, C.B.E., B.A. (formerly Secretary of the Institute); and others representative of professional bodies, finance and the Inland Revenue.

Sir Ambrose Dundas Flux Dundas, K.C.I.E., C.S.I. (Lieutenant Governor of the Isle of Man) proposed the toast of The City and Trade of Liverpool. He said it was appropriate that someone from across the sea should do so, because it was as a port, as a means of access to and egress from the United Kingdom, and within the United Kingdom to and from the busy industrial areas of Lancashire, that the greatness of Liverpool had grown. It was as a representative of the Isle of Man, which their Society had recently added to its empire, that he had to speak. Liverpool was the principal communication between the Isle of Man and the outer world.

The Lord Mayor of Liverpool (Alderman Harry Livermore), in his response, said that the question whether or not Liverpool Airport at Speke should be taken over by the City Council had caused a certain amount of controversy. Emphasising that he did not in any way wish to be contentious, the Lord Mayor mentioned that if the Airport was taken over willy-nilly it would cost the City of Liverpool a twopenny rate.

The Rt. Hon. Selwyn Lloyd, C.B.E., T.D., Q.C., M.P. (Secretary of State for Foreign Affairs) was accorded an enthusiastic and prolonged ovation when he rose to propose the toast of the Institute of Chartered Accountants in England and Wales. It was a long time, he said, since he cross-examined a chartered accountant—one of those formidable expert witnesses so frightening to an advocate.

When he asked one of his Ministerial colleagues what he should say that evening, his friend replied: "Do you know that all accountants teach their children their own nursery rhymes? For example—'Hey diddle diddle, The cat and the adjustment'."

If one believed a chartered accountant, no one was solvent; two and two invariably made five, and nothing would ever satisfy the Inland Revenue (*laughter*). He was taking a great risk in saying these disrespectful things, for their President was treasurer of the Conservative Association of the Wirral (his own constituency), and their treasurer was chairman, and his remarks were subject to perpetual audit.

He wanted to say a word about the greatness of the professions and their high standards. The fact had to be faced that the hopes entertained after World War II had been somewhat falsified. The Charter of the United Nations was drawn up on the basis of unity between the great Powers who had been allies in World War II, but since 1945 there had been a deep cleavage in the world. The British attitude to that situation had been largely bi-partisan. Britain first tried to secure the defence of the free world, and make it clear that aggression would not pay. They must not lose heart because it took time. It took 390 meetings about Austria before the Austrian Treaty was eventually

agreed. They intended to labour on patiently whether in Geneva, in the United Nations or elsewhere, to reduce tensions and to reach settlements.

But the great conflict of ideas went much deeper. He believed the conflict of ideas would be won by those who believed in things immortal and in the freedom of the individual to worship, to vote, to think, to write, and to associate as he pleased. He acknowledged that Communism might be a way to achieve material advances, but he thought there was much more at stake than just material progress. There was the dignity and worth of the human being as an individual. In that conflict of ideas he believed that the great British professions had an example to offer and a message to give. He thought it was a fine thing to have in various walks of life a body of men of high professional standards who could not be bought or bribed; who felt they had a duty to the community as well as to their clients—men who were not prepared to countenance breaches of the law, or practices which would bring their profession into disrepute. It was not quite the same elsewhere. He thought the defence of the free world against Communism was often talked about in purely negative terms. The case should be put positively. He wanted that idea of the value of the individual, of the independent standards of the great professions, to percolate through into the rapidly growing professional classes which the material advancement within the Soviet Union was producing. It was a matter about which he felt deeply, and he knew they would realise its importance. He knew their Institute was having some regard for that matter, and he knew they would do all they could to further the purposes he had sought to propound. In the conflict of ideas they had certain great assets to give out of their way of life which they must not be afraid to put forward in all frankness and in all sincerity.

Mr. W. L. Barrows, LL.D., J.P., F.C.A. (President of The Institute of Chartered Accountants in England and Wales), in reply, said that this was the largest District Society dinner that he had so far attended. The Council felt that in Liverpool they had a most enlightened District Society, and he was glad to see many of his personal friends there.

Mr. Barrows referred to the importance of seeing to it that practising accountants were adequately paid for their work. They and their clients were apt to overlook the vast changes of recent years, but in their efforts to acquire and retain staff they were in competition with industry, commerce and the State, and they could not always match the terms offered by them.

There was a modern adaptation of the old nursery rhyme:

"The King was in the bathroom washing out his shirt,
The Queen was in the kitchen cleaning out the dirt,
The maid was in the parlour eating bread and honey,

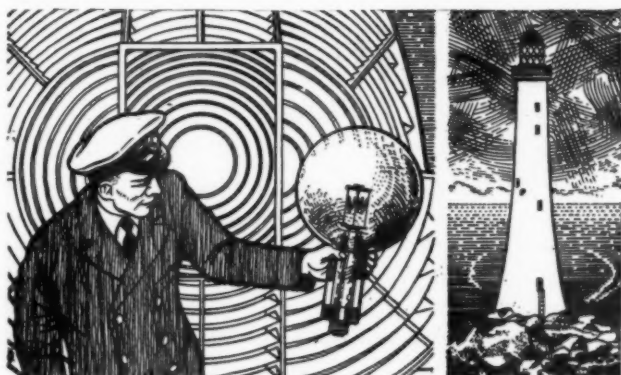
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Other Liabilities &		Investments ...	2,226,307
Provisions ...	314,737	Cash ...	633,723
Reserves ...	865,474	Other Assets...	68,421
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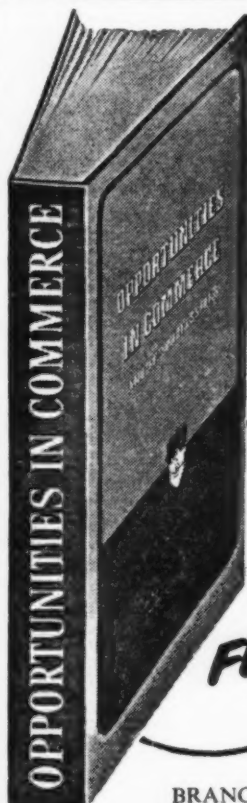
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When in came a neighbour and offered her more money."

The Liverpool Society had recently started a study group for recently qualified members and those returning from National Service, and he wished it well. If it was successful it might well be copied in other areas.

Their Society had also for a long time been pioneers in tackling the whole problem of recruitment, and there was much interest at Moorgate Place in the important work of their Recruitment Sub-Committee, including the leaflet produced some two years ago to interest school leavers in accountancy as a career, and the Audit Assistants' Courses now being run on behalf of the District Society by the College of Commerce. Liverpool was certainly giving a lead to the profession.

In September he and Mr. MacIver were delighted to be present in the Isle of Man, when the new branch of the Liverpool Society was launched.

Two Liverpool members, Mr. G. F. Saunders and Mr. A. D. Walker, joined the Council in 1948. Mr. John Ainsworth, the City Treasurer, and Mr. Bertram Nelson were two of the ten new members on the Council as a result of the integration scheme. It was impossible to refer to all the wonderful work done by these four members, but he must mention the exceptional service of Mr. Saunders, who had recently completed his three years' stint as Chairman of the Parliamentary and Law Committee. He had a very heavy burden to carry in those years.

Mr. J. F. Allan, F.C.A. (President of the District Society) proposed in witty fashion the toast of the guests. He apologised to the President of the Institute for the fact that the date of the dinner was irrevocably fixed before they knew of his fondness for shooting on Saturday at crack of dawn, and capped the evening's nursery rhymes with a near-version of Rudyard Kipling:

Here's to the hard-working Barrow-boy!
Now he's clad in his evening suit
He can't flog his needles and fish-hooks—
And there's dam' little here he can shoot!

Mr. T. B. S. Johnson responded in similarly happy vein, drawing attention to the printing of the menu in French so that the Foreign Secretary could understand it! The President of the District Society, said Mr. Johnson, was one of a long line of financial experts whose names began with "A": Archimedes, Aristotle, Asquith and of course—Armoed Banner.

Dinner of Chartered Accountant Students' Society of London

AS BRIEFLY REPORTED in our December issue (page 679), the forty-fifth annual dinner of the Chartered Accountant Students' Society of London was held at Grosvenor House, Park Lane, London, on December 8.

Mr. W. E. Parker, C.B.E., F.C.A. (President of the Students' Society), who presided,

announced that Lord Rowallan (the Chief Scout) was unwell and unable to attend. On behalf of those present he had sent him a message of good wishes.

Viscount Monckton of Brenchley (President of the Institute of Bankers) proposed the toast of the Students' Society in the absence of Lord Rowallan. He said that on looking at the record of the work of the Students' Society he discovered what great opportunities fell to their members: recently they had visited no less than six of the great banks and the Old Bailey. (Laughter.)

They had also organised sports and social events, which made a great contribution to the happiness and fullness of life.

Among the great names connected with the Society he noted that the Lord Mayor of London had been their President for five or six years, Sir Harold Howitt for five years, and Lord Plender for thirty years.

Mr. B. Martin O'Regan, B.Sc.(ECON.), chairman of the Committee of the Students' Society, replying to the toast, said they all regretted the absence of Lord Rowallan and were much indebted to Lord Monckton for speaking at such short notice.

The Society had enjoyed a year of high activity, excitement and change. For the past six years Sir Harold Gillett had been their President, and they were pleased and proud that he should be the Lord Mayor of that great City of London. They would always be grateful to Sir Harold for the time and interest he devoted to their affairs. In Mr. Parker they had found a very worthy successor.

In the past year the Society had continued its lectures and visits, and continued to hold hectic and instructive residential courses at Oxford and at Cambridge. A strong and flourishing debating group continued to put the world right on Tuesday evenings, and the dances and sports sections were increasingly popular. Integration had increased their numbers to well over 7,000. They had opened a new branch at Reading, and it was hoped that the Bedfordshire branch, which had been active for many years, would shortly be formed into an independent society.

A new and successful venture was the whole day courses for members in the suburbs and more outlying districts who could not easily attend evening meetings.

Mr. O'Regan thanked all the principals who took an active interest in the Society, whether as lecturers or by instructing their articled clerks to attend.

The profession was split into thousands of small individual units and firms. This gave a tremendous resilience and independence, but it was also a weakness. At the level of the articled clerks the Students' Society endeavoured to remedy the deficiency by bringing people together and giving them a corporate feeling.

Today accountants had a respected and honoured place in our way of life. But in the 1860s they were usually only brought in when bankruptcy proceedings were pending. By the 1890s accountants were established,

but not, it appeared, very popular. An American writing at that time said: "The typical auditor is a man past middle age, spare, wrinkled, intelligent, cold, passive, non-committal, with eyes like codfish, polite in contact, but at the same time unresponsive, cold; calm and damnably composed as a concrete post or plaster-of-paris cast; a human petrification with a heart of feldspar and without charm of the friendly germ, minus bowels, passion or a sense of humour. Happily they never reproduce and all of them finally go to hell." (Laughter.)

Present-day references were more light-hearted. One definition was: "An accountant is a person who takes longer strides to save his four-guinea shoes and thereby splits his five-guinea trousers." (Laughter.)

Mr. Parker's election as their President was the culmination of a very long active and personal interest in their Society. It was with some pride that they learned of his appointment as chairman of the Institute's sub-committee on the Education and Training of Articled Clerks. The Committee of the Society would be sending in a submission which he thought would contain not only that energy and perhaps idealism which should and ought to be found in the younger generation, but also a touch of realism and a very good sense of what was practical. They would all wish that the reputation and wisdom of the committee would be such that it would always be referred to in future years with satisfaction and pride as the Parker Committee.

They were fortunate to have Mr. Parker as President, and very grateful for the energetic and enthusiastic way he presided over the Society.

Mr. W. E. Parker, C.B.E., F.C.A. (President of the Students' Society), proposing the toast of the visitors, said how much the Society owed to the work of Mr. O'Regan and his committee; Mr. Carter, the Secretary; Miss Lodge, Assistant Secretary; Miss Gill, and all who laboured to administer their activities.

The members of the Students' Society were proud indeed that so many great men had paid them the compliment of coming to this dinner. These great men had reached their exalted positions because they had the ability to think, and that was the most important single attribute students must cultivate if they were to do justice to the profession.

The Lord Mayor of London (Alderman Sir Harold Gillett, M.C., F.C.A.), responding, said he attributed all his success to his training as a chartered accountant.

It was the friendships they formed when they were articled clerks that carried them through life. As the head of the Livery, he wished them the greatest of good luck in the years to come—good luck in their examinations and in their future lives. It was their own example of integrity and well-doing that would lead to their success in the years ahead.

Mr. S. P. Chambers, C.B., C.I.E., (Deputy Chairman of Imperial Chemical Industries Ltd.), who proposed the toast of the

Institute of Chartered Accountants in England and Wales, said that the profession offered a great future. Members of the Institute reached the highest offices in civil life, in government and in industry.

Mr. Chambers commented on the differences between accountants and economists on the question of replacement costs, differences still unresolved.

He found that the average age of members on the Council of the Institute was high. Would it not be better to have on the Council people right down to the level of those who had just qualified?

Mr. W. L. Barrows, LL.D., J.P., F.C.A. (President of the Institute) replied. He observed that the system of articulated clerkship had been likened to the apprenticeship scheme of the old Livery Companies. The products of the Institute's system did not indicate any lack of success, but, alive to the changing needs of the community, the Council of the Institute, as Mr. O'Regan had mentioned, had set up a committee under the chairmanship of Mr. Parker to investigate the problem of education and training. Students had been requested to submit views and suggestions to their secretary, and he hoped that many of them had done so: it was immeasurably more satisfactory to know the thoughts of those directly affected, and it was essential to get views from as many quarters as possible.

Their President must be a very proud man in having the first citizen of the City of London and the sheriffs present. He himself would like to tell the Lord Mayor how honoured they were that a member of the Institute and its Council should, this year, be in that outstanding position.

Most of the students present were worried over their examinations, either just having taken them or thinking of those to come. It was extraordinary how much trouble was taken by the examiners: recently the Examination Committee had to check up on all the dates in the accounts papers to find out whether any of them fell on a Sunday!

Progress by Experiment

THE ANNUAL DINNER of the Cornwall and Plymouth Branch of the Bristol and West of England Society of Chartered Accountants was held at Goodbody's Restaurant, Plymouth, on December 4. Mr. S. Edgcumbe, J.P., F.C.A. (Chairman of the Branch) presided, and the guests included the Lord Mayor of Plymouth (Alderman G. J. Wingett); Dr. Andrew Scotland (Director of Education of the City of Plymouth); Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (immediate past President of the Institute of Chartered Accountants in England and Wales); Mr. John Foot; Mr. S. R. Perratt, F.C.A. (President of the Bristol and West of England Society of Chartered Accountants); and representatives of other professions in the city.

Following the loyal toast, Mr. S. R. Perratt, F.C.A. (President of the Bristol and

West of England Society of Chartered Accountants) proposed the toast of the City of Plymouth. He said that Plymouth had made very great strides in the last ten years, and much gratitude was owed to the past and present members of the City Council—which included two chartered accountants—for their devoted service to the city.

Nowadays it seemed to him that we had no longer to save before spending. We were encouraged to buy what we wanted, and to pay afterwards. He was doubtful of the wisdom of this, and we must watch inflation very carefully indeed.

The Lord Mayor of Plymouth (Alderman G. J. Wingett), in response, observed that Devon and Cornwall were joined together in their wishes for the Tamar Bridge, which was needed for their joint prosperity.

He was satisfied that Plymouth had achievements to be proud of. What had been done was not due to one particular individual or one particular political party. It was the result of a joint effort by the council, by the chief officers of the council, by the general citizens and by the city's businessmen working together.

Plymouth desired to become a centre of the south-west. It had some of the finest coastal scenery and moorland views in the country, and more and more visitors were wanted in Plymouth. The council was conscious of the shortcomings of hotel accommodation, but he was sure that these could be met. The new Guildhall would be completed by next year, and it was desired to bring conferences to the city.

The council had planned ideal industrial sites between the housing estates. Plymouth had everything to offer industrialists, with its sea, rail and air routes, and there were good relationships between employers and employees.

Mr. John Foot proposed the toast of the Institute of Chartered Accountants in England and Wales. He said that his admiration for the accountancy profession and the Institute was unbounded—an opinion which was shared by the public generally. It came from complete ignorance of what accountants did and how they did it. That was one of the great advantages of the profession, shared only by doctors. The general public had a touching faith in the mysteries of a profession about which few laymen knew anything.

This advantage was not shared by his own profession, that of the law. No one who had been represented in court by an advocate had not come out and said that he could have done the job very much better.

But the touching faith of the public in chartered accountants was justified, and he wished the Institute every success.

In reply, Mr. W. H. Lawson, C.B.E., B.A., F.C.A. (immediate past President of the Institute of Chartered Accountants in England and Wales), expressed his pleasure at being present at the first dinner to be held in Plymouth.

The Institute had done well in the past, but he thought it was useful from time to

time for members to examine its principles objectively, and to see what could be done in the light of past experience. They should not be afraid to experiment, and in that way achieve progress.

The recommendations of the Council were not intended as a substitute for thought by members, but were a guide for individuals in their own practices.

Mr. S. Edgcumbe (chairman of the Branch), proposing the toast of the guests, said that the dinner—the first in Plymouth—was carrying on the traditions of the Incorporated Accountants, who had held a similar function there for more than twenty years. It was particularly appropriate that Mr. Lawson should be their guest, since he had done so much towards the integration scheme.

He coupled with the toast the name of Dr. Scotland, who was responsible for the recruiting of young people for the accountancy profession in the city.

Dr. Andrew Scotland (Director of Education), replying, said there was some difficulty in obtaining recruits for accountancy. Young men of promise wanted to be scientists or to be engaged in research, because there was a certain amount of glamour about it. There was, he felt, almost as much glamour about the handling and control of money.

Women Chartered Accountants' Dinner

THE ANNUAL DINNER of the Women Chartered Accountant's Dining Society was held at the Hotel Rubens, London, S.W.1, on December 12. (See ACCOUNTANCY, December, page 680.)

Mrs. E. M. Wright, A.C.A. (Chairman of the Society) proposed the toast of the Institute of Chartered Accountants in England and Wales. She said the Institute was larger today than ever before, and it undoubtedly faced greater problems and challenges.

No problem was more important than that of training and recruitment. Every successive generation had looked for greater standards of material well-being and greater facilities for education of its children. There was every assistance to further those ambitions, firstly from public funds; money was poured out for university education for everybody with the ability to profit from it. Money came, secondly, from industry and the banks, which offered high rates of pay, comprehensive schemes of welfare and security and amenities of all kinds. It was small wonder in face of these inducements that parents too easily lost sight of professional qualifications.

There was ignorance still in girls' schools and among women teachers about the profession of accountancy. Each of their members should be prepared to remedy this, either at schools or in individual cases—perhaps when young people came down from the universities with little idea of what they wanted to do. It might be helpful to

have post-graduate courses for those women who virtually retired on marriage, and later wished to return to active professional life.

Mr. W. L. Barrows, LL.D., J.P., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), in response, spoke of the appointment of the Parker Committee to review the whole situation in regard to education and training for entrants to the profession.

In going round the country he sensed that there was a demand for some form of post-graduate study in management accounting, or what was sometimes understood as O. & M.

He was surprised to find that women were as numerous as one per cent. of the membership of the Institute, because it always seemed to him that the opportunities for women in the accountancy profession were not anything like as great as, for instance, in the medical world. Looking round, he had certainly formed the view that the Institute must take steps to recruit more of them.

Miss D. M. Vaughan, B.A., F.C.A., proposing the toast of "Education," observed that the accountant of the future must understand the wonderful machines that were now coming out, and would need a broader education in every way. She hoped Lady Ogilvie would encourage the young women who passed through her college to think very seriously about accountancy as a profession.

Lady Ogilvie, M.A. (Principal of St. Anne's College, Oxford), responding, said she would do her best to put Miss Vaughan's exhortation into practice. They had a living example at the college in Miss Livock the bursar, who was a chartered accountant. There never was a time when education was more important. Every skilled brain was needed and there was work for everybody. She thought it was better to aim high, even though they were accused sometimes of trying to teach people beyond their abilities. People and their education could not be judged by what they were at twenty-one or twenty-five: it was necessary to consider what they would be in the forties and fifties. Education was not necessarily for success, but for the business of living.

The toast of the guests was proposed by Miss J. Edwards, A.C.A., and the response was made by Dr. C. J. H. Topping, B.A., PH.D.

An Objective View of Accounts

THE EXETER AND District Branch of the Bristol and West of England Society of Chartered Accountants held its tenth annual dinner at the Imperial Hotel, Exeter, on December 5. The Chairman of the Branch, Mr. N. G. Webber, F.C.A., presided, and the guests included the Deputy Mayor of Exeter (Councillor P. A. Spoerer); Mr. W. H. Lawson, C.B.E., F.C.A. (immediate

past President of the Institute of Chartered Accountants in England and Wales); Mr. J. S. Carter, M.A. (Headmaster of Blundell's School, Tiverton); Alderman A. L. Goodrich (ex-Mayor of Torquay); Mr. R. Dudley Williams, M.P.; Mr. R. E. Foster, B.Sc., F.R.I.C.S., F.A.I. (Chairman of the Exeter Chamber of Trade); Dr. J. W. Cook, F.R.S. (Vice-Chancellor of the University of Exeter); the Sheriff of Exeter (Alderman J. G. Warne); and other representatives of the professions and the Inland Revenue.

Alderman A. L. Goodrich (ex-Mayor of Torquay) proposed the toast of the City and County of the City of Exeter. In a witty speech, he referred to incidents in Exeter's long history. Its rebuilding after the blitz was the pride of Devon, and, coming from Torquay, he expressed admiration of what Exeter had done.

The deputy Mayor of Exeter (Councillor P. A. Spoerer) replied. He said he always admired the way an accountant could visit a business office and within five or six days have the business at his finger-tips. The standing of the profession was such that one could happily open up one's business and say "In you come: look at everything."

Mr. J. S. Carter, M.A. (Headmaster of Blundell's School), proposing the toast of the Institute of Chartered Accountants in England and Wales, expressed the view that no organisation could have self-respect unless it had self-discipline and a sense of service. The Institute had both, and that was why it was held in such great esteem.

Mr. W. H. Lawson (Immediate Past President of the Institute of Chartered Accountants in England and Wales) responded. He hoped that as the years went by members would be continually challenging the form of accounts in an objective spirit. The word "fair" appeared twice in the audit report, and he thought that the word "fair" would come to be regarded in the long run as much more important than all the other words put together.

Accounting practices should not be accepted without challenge just because they had always been carried out in a certain way in the past. They should look at accountancy in a critical spirit and see how they could improve it.

The chairman proposed the toast of the guests, and Mr. R. E. Foster (Chairman of the Exeter Chamber of Trade) replied.

Bradford Students' Dinner

THE ANNUAL DINNER of the Bradford and District Chartered Accountant Students' Society was held at the Midland Hotel, Bradford, on December 16. The chair was occupied by the President, Mr. G. M. Holroyde, F.C.A.

Mr. R. Henton, proposing the toast of the Institute of Chartered Accountants in England and Wales, expressed the view that

there was no more unproductive occupation than to evolve complex schemes of tax avoidance. The tax structure was bad if it led men away from principles which had been accepted as good and sound.

Mr. Gordon N. Hunter (President of the Leeds, Bradford and District Society of Chartered Accountants), responding to the toast, said that there had been a lot of talk recently of the man-in-the-street being given a chance to invest in industry. This had its dangers as well as its responsibilities. The profession would have a real responsibility to see what could be done to make financial documents more informative and more easily understood by the layman. But there was a limit to the extent to which accounts could be simplified. He thought that the younger generation was very anxious to simplify, while some of the older members of the profession preferred the rather curious terminology that had persisted for some years. The answer was to aim at a happy medium.

The Venerable Eric Treacy (Archdeacon of Halifax), who proposed the toast of the Bradford and District Chartered Accountant Students' Society, said that commerce and industry could not be reduced wholly to figures and prices. The best businesses were those in which human relationships were good. In these days there was a tendency to run away from responsibility. But the man who achieved most in life was the man who risked accepting it.

Mr. G. M. Holroyde, F.C.A. (President of the Bradford and District Chartered Accountant Students' Society), responded. He said that with integration the membership of the Society had risen from 200 to 350.

The toast of Our Guests was proposed by Mr. C. J. L. Bowes (member of the Committee of the Students' Society), and Mr. D. T. Lewis (a member of the Bradford Law Students' Society) responded.

District Societies

London

Southend-on-Sea Group

THE ELEVENTH ANNUAL dinner of the Southend-on-Sea Chartered Accountants' Group was held on December 16 at the Queen's Hotel, Westcliff. The Chairman, Mr. Anthony J. Wilson, F.C.A., presided.

Mr. John Dennington, F.C.A., proposed the toast of the County Borough of Southend-on-Sea, to which the Deputy Mayor (Alderman Fred H. Woods) responded very wittily.

Mr. Henry A. Benson, C.B.E., F.C.A. (a member of the Council of the Institute of Chartered Accountants) proposed the toast of the Group, and the chairman replied. The toast of the guests was proposed by Mr. Sydney Porter, A.C.A., and acknowledged by Mr. John H. Burrows, M.A., J.P. (Editor of the *Southend Standard*) and Mr. J. A. B. Cooke (Inspector of Taxes).

Manchester

AT THE ANNUAL dinner of the Manchester Society of Chartered Accountants, the vote of thanks to the chairman was proposed by Mr. F. M. Gilliat, F.C.A. (not, as stated by a reporter's error in our December issue, by Mr. J. M. Gilliat, B.A.(COM.), A.C.A.).

Union of Chartered Accountant Students' Societies

THE ANNUAL CONFERENCE of the Union of Chartered Accountant Students' Societies was held at Bristol on December 5 and 6. Delegates from twenty-five students' societies took part in the conference under the chairmanship of Mr. G. B. C. Hughes, B.A., A.C.A., of London.

After prayers by the Rev. F. McCall, M.A., the Conference was welcomed by Mr. J. M. Higginson, A.C.A., the President of the Bristol Students' Society.

Portsmouth and District Chartered Accountant Students' Society was welcomed as a new member of the Conference.

The Chairman explained the conditions of full and frank discussion which obtained at the meeting to which the Liaison Committee of the Union were invited each year by the Council of the Institute. After some discussion of the possibility of a fuller report of the meeting, the statement issued by the Council was received.

During the year a special committee of the Union had reviewed the functioning of the Conference with a view to improving its usefulness and reducing the cost. The Conference adopted the recommendations that it continue to meet annually in different towns each year; that more exchange of ideas between societies in the same region was desirable; that a Steering Committee plan each year's conference by amending and adding to resolutions and suggestions submitted by students' societies; that the local expenses of the conferences be borne by the Union; and that there be more publicity for the work of the Conference and its Committees. Proposals to reduce the number of delegates and to break up the Conference into discussion groups were rejected.

The report of the operation of the lecture panel and the accounts for the year 1957/58 were adopted, and continuation of the levy at 1s. 3d. for 1958/59 was agreed.

A discussion on the possibility of obtaining more local examination centres ended with general agreement that the question in each area, if appropriate, should be raised with the District Society.

The suggestion that more publicity might be given to municipal lecture courses was referred to the Liaison Committee to raise with the Council of the Institute.

The treatment of ex-bye-law students was raised. It seemed to be clear that though in isolated cases conditions were difficult, this was not generally true.

Information was before the Conference suggesting that there was a great deal of difference between local authorities on the application and size of grants to articled clerks. In general it seemed that no grants were available, but some education authorities did make provision. The matter was referred to the Liaison Committee to take up with the Council of the Institute.

The high cost of textbooks was brought before the Conference. Various suggestions were made, but the only one that met general approval was that books on income tax and other subjects needing frequent revision might be issued in paper bindings.

The Conference then turned to the request received from the Institute's Committee on Education and Training that a memorandum be submitted by the Union on behalf of students' societies. A committee was appointed to receive comments and suggestions, to submit a memorandum to the Institute Committee and to take any subsequent action they might require.

The Saturday morning session was devoted to a discussion designed to cover the whole field of education for the profession, so that the drafting committee could be made aware of the feelings and suggestions of the Conference.

On the Friday evening the delegates and officers of the Conference were entertained to dinner by the Bristol Students' Society. After a very few speeches, the delegates broke up into groups and continued discussion and exchange of ideas on students' society matters.

Students' Societies

London

News from the Committee

Mr. A. R. K. Hardcastle, A.C.A., has found it necessary to resign from the Committee after six years' valuable service. The vacancy has been filled by the election of Mr. A. T. Nadal, A.C.A., who has been succeeded by Mr. G. T. Canfield as representative of the Chelmsford Branch. Mr. Nadal resigned his membership of the Committee when he gave up the secretaryship of the Chelmsford Branch.

Activities

The mock company meeting on December 1 attracted 300 students. The proceedings were lively and many points of practical importance were raised.

The dinner debate and mock Parliament formed the culmination of a very successful session for the Speakers' Course. Some debating members have begun an informal group to visit theatres or cinemas and to discuss the show. Members interested should contact the Honorary Secretary for Debates, Mr. G. B. C. Hughes, B.A., A.C.A.

Plans for the spring session, when we shall be back in the Oak Hall for our

lectures, are now under way. Meanwhile the Meet-the-Committee buffet lunches will continue to be held at Incorporated Accountants' Hall, 12.30-2 p.m. on the first Monday of each month.

Library

Members are reminded that the Student Society's lending library provides a varied selection of books, which can be ordered by post or telephone by members unable to come in personally. The library is open from Monday to Friday, 9.30 a.m. to 5.30 p.m. including the lunch hour.

London and South Wales and Monmouthshire

IN A RUGBY match at Richmond on December 18, the South Wales and Monmouthshire Students' Society defeated the London students by 13 points to 8 points.

South Wales and Monmouthshire

THE ANNUAL DINNER-dance was held on December 22 at Bindles Ballroom, Barry, near Cardiff. The President of the Students' Society, Mr. Bernard E. Brown, K.ST.J., F.C.A., presided and was accompanied by Mrs. Brown. The attendance was the best ever. Delegates from other Students' Societies and many members of the senior Society were present.

Mr. Bernard E. Brown was presented with a Parker pen set as a token of appreciation by the Committee of his services as President during the past four years.

West Wales Students' Society

THE ANNUAL DINNER-DANCE, held at Swansea on December 10, was attended by over 100 members and guests, and was much enjoyed.

Forthcoming Events

BIRMINGHAM Members' Meeting

February 11.—"Developments in Pensions for the Self-employed," by Messrs. John Sherren and A. C. Snowden. Regent House, St. Philip's Place, Colmore Row, at 6 p.m.

Students' Meetings and Function

In addition to the students' lectures set out below the following series of lectures have been arranged by the Joint Tuition Committee:—

Intermediate students (lecturers: Mr. D. J. Appleton, Mr. J. P. G. Lawrence, Mr. R. Lawrence, Mr. A. V. Sharman). At the University, Edmund Street, on January 24 and 31, February 7, 14 and 21, at 9.30 and 10.30 a.m.

Final students (lecturers: Mr. A. S. Maddison, Mr. B. W. Sutherland, Mr. J. A. D. Owen, Mr. T. A. Hamilton Baynes, Mr.



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AN ANALYSIS OF INCOME AND EXPENDITURE IN 1958

*Proportion of
each £1
of Income*

	£	£	s. d.
GOODS AND SERVICES PURCHASED FROM OUTSIDE:—			
Raw Materials (including Duty, Levy, etc., of £19,854,674)	102,084,637		15 10½
Fuel and Power	1,952,758		3½
Packing Materials	4,607,955		8½
Other Refinery Expenses	1,597,901		3
Other Expenses including Advertising (£118,539), Selling and Distribution	5,177,041		9½
		115,420,292	
VALUE ADDED OR NET OUTPUT:—			
Wages, Salaries, National Insurance and Employees' Benefits	7,482,615		1 2
Provided for Renewal of Plant and Machinery and Depreciation of other Fixed Assets	1,616,781		3
United Kingdom Taxation of Profits	2,470,606		4½
Amount placed to Reserves	967,517		1½
Dividends to Ordinary and Preference Stockholders (Net)	872,913		1½
		13,410,432	
TOTAL	£128,830,724		£1 0 0
VALUE OF EXPORT SALES (including £7,967,499 Duty and Levy Drawback, etc.)	33,794,896		5 3
VALUE OF HOME TRADE SALES AND OTHER INCOME	95,035,828		14 9
TOTAL INCOME	£128,830,724		£1 0 0

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R. B. Howard). At the Chartered Auctioneers' and Estate Agents' Sale Room, on January 24 and 31, February 7, 14 and 21, at 9.30 and 10.30 a.m.

January 27.—"The Finance Act, 1958," by Mr. A. J. Turner. The Library, 36 Cannon Street, at 6 p.m.

February 3.—"Integrated Cost and Financial Accounts," by Mr. J. W. Fewlass, F.C.W.A., A.C.I.S., A.M.B.I.M. Joint lecture arranged by the Institute of Cost and Works Accountants, Birmingham and District Branch Students' Society. Chamber of Commerce, at 6.30 p.m.

February 10.—"Estate Duty," by Mr. Ronald Anderson. Chamber of Commerce, 95 New Street, at 6 p.m.

February 17.—"Fraud," by Detective Chief Inspector Hinson. Chamber of Commerce, 95 New Street, at 6 p.m.

February 19.—Annual winter dance. The Pavilion Suite, The County Ground, Edgbaston.

BLACKPOOL

February 11.—Students' annual dinner dance. Queens Hydro.

BOLTON

Branch Meetings

January 20.—"Electronic and Computer Development," by Mr. E. Martin Webb, The British Tabulating Machine Co. Ltd., Town Hall, at 6.15 p.m.

February 16.—"Layout of Accounts." Reform Club, at 6.15 p.m.

BOURNEMOUTH

Members' Function and Meeting

January 30.—Dinner of the South-Eastern Society of Chartered Accountants. Grand Hotel, at 7 for 7.30 p.m.

February 12.—Members' meeting. Grand Hotel, at 6 p.m.

Students' Meetings

January 20.—"Economics," by Mr. M. Lickiss, B.S.C. (ECON.). Grand Hotel, at 6 p.m.

February 10.—"Presentation of Accounts," by Mr. J. F. English, F.C.A. Grand Hotel, at 6 p.m.

BRADFORD

Students' Meetings

January 22.—"The Changes in the British Industrial Structure 1930-55," by Mr. G. F. Rainnie, M.A. (Aberdeen). Midland Hotel, at 4.30 and 6.15 p.m.

January 29.—"Recent Examination Questions in Auditing," and "Problems in Company Accounts," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A.

February 5.—"Bankruptcy," by Mr. A. B. Mitchell, LL.B. Midland Hotel, at 6.15 p.m.

February 12.—"Management Accounting," by Mr. G. Tattersall-Walker, A.C.A. Midland Hotel, at 6.15 p.m.

February 19.—"Branch Accounts" and "Consolidated Accounts," by Mr. L. J. Northcott, F.C.A. Victoria Hotel, at 4.30 and 6.15 p.m.

BRIGHTON Students' Meetings

Except where otherwise stated, all lectures will be given at the Technical College Annexe, 7 St. George's Place, at 10.30 a.m.

January 24.—"Partnership Accounts," by Mr. R. B. Knight, F.R.ECON.S., F.C.A.

January 31.—"The Law of Contracts," by Mr. R. D. Penfold, LL.B., Barrister at Law.

February 7.—"Income Tax—Capital Allowances," by Mr. D. B. Evans, A.C.A.

February 14.—"The Auditor and his approach to different kinds of Businesses," by Mr. R. Glynne Williams, F.C.A.

February 16.—Visit to Ford Motor Co. Ltd.'s Works at Dagenham.

February 21.—Annual general meeting at 9.30 a.m., followed by lecture on "Profits Tax," by Mr. R. F. W. Sheraton, F.C.A.

BRISTOL

February 19.—Members' meeting. Assize Courts Hotel, Small Street, at 6.30 p.m.

BURY ST. EDMUNDS

January 29.—Brains Trust on Group Accounts. Members' meeting. Palmer's Restaurant, Cornhill, at 7 p.m.

CAMBRIDGE

February 18.—"Equitable Apportionments," by Mr. H. A. R. J. Wilson, F.C.A. Students' meeting. University Arms Hotel, at 11.30 a.m. and 2.30 p.m.

COVENTRY

Students' Meetings

At the Golden Cross, Hay Lane, at 6 p.m.

January 26.—"Some Taxation Problems," by an Inspector of Taxes.

February 9.—"The Work of the Chamber of Commerce," by Mr. V. N. Brailsford, J.P.

February 23.—"Planning your Career in Accountancy," by an Industrial Accountant.

DERBY

Students' Meetings

January 27.—"The Branches of Insurance—an Outline," by Mr. L. C. Graham. The Clarendon Hotel, at 5.30 p.m.

February 17.—"Estate Duty," and "Personal Computations," by Mr. K. S. Carmichael, A.C.A. The Clarendon Hotel, at 4.15 and 6 p.m.

DONCASTER

January 21.—Members' luncheon. Earl of Doncaster Arms Hotel, at 12.30 for 1 p.m.

EXETER

Members' Meeting

January 22.—"International Companies," by Mr. D. A. Godwin Sarre, M.A. Imperial Hotel, at 6.15 p.m.

Students' Meetings and Function

January 21.—Talk and Trade Demonstration by Kalamazoo Ltd. Imperial Hotel, at 2.30 p.m.

February 13.—A Dance with the Exeter and District Law Students Society. Countess Wear Hotel, at 8.30 p.m.

February 19.—Visit to the Commercial

Union Assurance Company's Punched Card Installation at Sidwell Street. Meet at their premises 2.30 p.m. Numbers limited.

GRIMSBY

Members' Meeting and Function

January 19.—"Surtax on Limited Companies," and "Trawling Companies' Accounts." Members' general discussions. Royal Hotel, at 6.45 p.m.

February 16.—Members' lunch. Speaker: Mr. J. Powell, of B.U.P.A. Royal Hotel, at 1 p.m.

Students' Meetings

Students' meetings are held at the Offices of the Chamber of Commerce, 77 Victoria Street, at 7.30 p.m.

January 29.—"Professional Etiquette," by Mr. M. G. Bain, F.C.A.

February 19.—"Bankruptcy Procedure," by Mr. J. W. H. Thorndyke.

GRINDLEFORD

January 30.—Annual Dinner Dance of Sheffield and District Students' Society. Maynard Arms.

HALIFAX

January 19.—Members' Luncheon Meeting. Old Cock Hotel, at 12.30 p.m.

HUDDERSFIELD

January 27.—Members' Luncheon Meeting. Whiteleys Restaurant, Westgate, at 12.30 for 12.45 p.m.

HULL

January 23.—"Examination Questions on Costing," by Mr. G. Tattersall-Walker, A.C.A. Students' meeting. The Regal Room, Ferensway, at 6.15 p.m.

February 6.—Students' visit to Rose, Downs & Thompson Ltd., with Talk by Member of the Accounting Staff.

February 13.—Annual General Meeting of Students' Society

February 20.—"Law of Bankruptcy," by Mr. J. F. Myers, M.A., LL.B. Students' meeting. The Regal Room, Ferensway, at 6.15 p.m.

IPSWICH

January 26.—"Trends in Contemporary Architecture," by Mr. P. Russell-Walker, F.R.I.B.A. Members' meeting. Oriental Café, Westgate Street, at 6 p.m.

KINGSTON-ON-THAMES

Members' Meeting

February 2.—Meeting of South-West London Discussion Group. The Kingston Hotel, Wood Street, at 6.45 p.m.

LEEDS

February 17.—"The Institute's Latest Recommendations on Accounting Principles," by Mr. W. G. Densem, F.C.A. Members' meeting. Great Northern Hotel, at 6.15 p.m.

LEICESTER

Members' Meeting

February 6.—"Recent Tax Cases," by Mr. G. A. Grove, LL.M. Bell Hotel, at 6 p.m.

Students' Meetings and Function

January 28.—Students' Annual Dinner. The Grand Hotel, at 7 p.m.

January 30.—"The Auditor and Stock Verification and Valuation," by Mr. A. C. Simmonds, F.C.A. The Bell Hotel, at 6 p.m.

February 13.—"The Role of the Accountant in Financial Investigation," by Mr. C. R. Curtis, M.Sc., Ph.D., F.C.I.S. The Bell Hotel, at 6 p.m.

LINCOLN

January 22.—Students' lecture, by H.M. Inspector of Taxes. Great Northern Hotel, at 6 p.m.

February 19.—"Newspaper Production and Accounting." Great Northern Hotel, at 6 p.m.

LIVERPOOL

February 12.—Practising and Industrial Members' Groups—Joint meeting, followed by a Hot-Pot Supper. The Exchange Club, 5 Fenwick Street, at 6 p.m.

Students' Meetings

January 22.—Visit to the Telephone Exchange, Lancaster House, Old Hall Street, at 2.30 p.m.

February 5.—"Internal Check," by Mr. D. Rich, A.C.A. The Library, at 5 p.m.

February 12.—Brains Trust on Advertising. Chairman, Mr. C. O. Reay, F.C.A. The Library.

February 19.—Competition for the President's Prize. The Library.

LONDON**Members' Meetings**

January 20.—"The Potentialities of a Computer in the Smaller Business," by Mr. G. A. Randell, B.Sc., of Leo Computers Ltd. Meeting of Chartered Accountants of Scotland, to which members are invited. Oak Hall of the Institute, Moorgate Place, E.C.2, at 6 p.m.

January 21.—Meeting of Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

January 27.—"Are Public Relations a Waste of Time and Money?" by Mr. Paul Bureau. Oak Hall of the Institute, Moorgate Place, E.C.2, at 6 p.m.

February 3.—Meeting of North London Discussion Group. The Mason's Arms, 38 Maddox Street, W.1, at 6 for 6.30 p.m.

February 4.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 p.m.

February 11.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.

February 11.—Meeting of City Discussion Group. The Cock and Bottle, Laurence Pountney Hill, E.C.4, at 6.30 p.m.

February 17.—"An Introduction to Electronic Data Processing," by Mr. Donald Green, F.C.A. Oak Hall of the Institute, Moorgate Place, E.C.2, at 6 p.m.

February 18.—Meeting of Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.

MANCHESTER**Members' Meeting**

February 16.—"What a Managing Director Ought to Require from Management Accounting," by Mr. M. A. Fiennes. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

Students' Meetings

In addition to the students' lectures set out below the following series of lectures have been arranged by the Joint Tuition Committee:

Preparatory lectures (lecturers, Mr. J. C. Wood, LL.M. and Miss M. A. T. Hodge, B.A., A.C.A., on January 24 and 31 in the Board Room (2nd Floor, 46 Fountain Street, at 9.30 and 11 a.m.

Intermediate lectures (lecturers, Mr. J. C. F. Bolton, B.A.(COM.), A.C.A., Mr. W. Pickles, B.COM., F.C.A., Mr. A. E. Morecroft, B.A.(COM.), A.L.B., Mr. H. C. Cox, F.C.A., Mr. H. B. Vanstone, F.C.A., Mr. W. A. Eastwood, F.C.W.A., on January 24 and 31, February 7, 14 and 21, at the Onward Hall, 207 Deansgate, at 9.30 and 11 a.m.

Final lectures (lecturers, Mr. H. B. Vanstone, F.C.A., Mr. A. S. Edmondson, A.L.B., Mr. W. Pickles, B.COM., F.C.A., Mr. R. Y. Taylor, B.A., A.C.A., Mr. G. J. Netherclift, A.C.A., on January 24 and 31, and February 7, 14 and 21, at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 and 11 a.m.

January 22.—"Group Life and Pension Schemes," by Mr. D. M. Miller (Director, Metropolitan Pensions Association Ltd.). Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m. Members of the District Society are cordially invited to this meeting.

January 29.—"The Internal Finance of the United Kingdom," by Mr. A. R. Ilesic, M.Sc.(ECON.), B.COM. (Lecturer, London School of Economics). Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

February 5.—"Consolidated Balance Sheets," by Mr. V. R. Anderson, A.C.A. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

February 12.—"The Valuation of Stock-in-Trade and Work-in-Progress," by Mr. H. C. Cox, F.C.A. Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.

NEW BRIGHTON

January 29.—Annual Ball of the Liverpool Students' Association. Hotel Victoria.

NEWCASTLE UPON TYNE**Students' Meetings and Function**

In addition to the lectures set out below, the following series of Tuition lectures have been arranged:

Intermediate lectures (lecturers, Mr. F. Stuart, A.C.A., Mr. R. Jack, Mr. R. L. Purvis, LL.B., on January 24, February 7 and 21. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

Final lectures (lecturers, Mr. C. D. Drake, M.A., LL.B., Barrister at Law, and Mr. Jack,

on January 31 and February 14. The Library, Neville Hall, Westgate Road, at 9.30 a.m.

January 29.—"Costing Systems," by Mr. T. W. Conway, A.C.W.A. Neville Hall, Westgate Road, at 6 p.m.

January 30.—Annual Dinner. Northern Conservative and Unionist Club.

February 12.—"Punched Card Accounting," by a representative of the British Tabulating Machine Co. Ltd. Neville Hall, Westgate Road, at 6 p.m.

NEWPORT, I.O.W.

February 16.—"Management Accounting," by Mr. C. A. Forrest of Saunders Roe Ltd. Students' meeting. Bugle Hotel, at 5.30 p.m.

NORWICH**Members' Meeting**

February 15.—"Surtax Directions," by Mr. P. Shelborne, Barrister-at-Law. Assembly House, Theatre Street, at 5 p.m.

Students' Meeting

January 21.—"Partnership Accounts," by Mr. D. A. Rich, A.C.A. The Assembly House, Theatre Street, at 11.30 a.m. and 2.30 p.m.

NOTTINGHAM**Members' Function and Meeting**

January 20.—Dinner Dance, Sherwood Rooms.

February 12.—"A Practising Accountant's Views on Management Accountancy," by Mr. C. C. Taylor, J.P., F.C.A. Luncheon meeting. Welbeck Hotel, at 12.30 for 1 p.m.

Students' Meetings

Students' meetings will be held in the Ballroom, the Elite Cinema, Parliament Street

January 28.—Balloon Debate. At 5.30 p.m.

February 6.—Annual Dinner-Dance. George Hotel.

February 11.—"Partnership Accounts" and "Group Accounts," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. At 4 p.m.

February 18.—"Machine Accounting," by a Representative of the British Tabulating Co. Ltd. At 5 p.m.

OXFORD**Members' Meeting**

January 20.—"Various Aspects of Taxation," by Mr. John Talbot. Members' meeting. The Kemp Green Room, Broad Street, at 6.30 p.m.

Students' Meetings

January 21.—"Company Law," by Mr. O. Griffiths, M.A., LL.B. The Kemp Restaurant, Broad Street, at 6.30 p.m.

February 18.—Tax Brains Trust. Chairman, Mr. B. W. Higgs, Chief Inspector of Taxes, Oxford. The Kemp Restaurant, Broad Street, at 6.30 p.m.

PLYMOUTH

February 17.—Demonstration of Hollerith Punched Card Accounting. Students' meeting. Grand Hotel, at 4.15 p.m.

PRESTON**Students' Meetings**

January 27.—Works Visit to the Leyland and Birmingham Rubber Co. Ltd.

The following series of lectures have been arranged by the Joint Tuition Committee:

Intermediate lectures (lecturers, Mr. J. C. F. Bolton, B.A.(COM.), A.C.A., Mr. W. Pickles, B.COM., F.C.A., Mr. A. E. Morecroft, B.A.(COM.), A.I.B., Mr. H. C. Cox, F.C.A., Mr. H. B. Vanstone, F.C.A., on January 31, February 7, 14 and 21, in the Masonic Hall, Saul Street, off Lancaster Road, at 10 and 11.15 a.m.

Final lectures (lecturers, Mr. R. W. Kirtley, B.A. (COM.), A.C.A., Mr. R. Y. Taylor, B.A., A.C.A., Mr. H. B. Vanstone, F.C.A., Mr. A. S. Edmondson, A.I.B., Mr. W. Pickles, B.COM., F.C.A., Mr. G. J. Netherclift, A.C.A., on January 24 and 31 and February 7, 14 and 21, in the Masonic Hall, Saul Street, off Lancaster Road, at 10 and 11.15 a.m.

RYDE

January 19.—"Income Tax," by the District Inspector of Taxes for the Isle of Wight. Students' Meeting. Spencers Inn, at 5.30 p.m.

ST. AUSTELL

January 26.—General meeting of members in practice only. White Hart Hotel, at 6.30 p.m.

SHEFFIELD**Members' Meetings and Function**

February 4.—"The Financing of Small and Medium Sizes Businesses," by Mr. W. E. English, B.A., of the District Bank Limited. Grand Hotel, at 5.45 p.m. Students are invited to this lecture.

February 11.—Luncheon to welcome newly-qualified members of the Institute. Grand Hotel, at 12.30 for 1 p.m.

February 19.—Visit to Revenue Offices in Sheffield, at 5.30 p.m. with tea and/or cocktails at the Grand Hotel, at 7 p.m.

Students' Meetings

January 23.—"Lloyds," by Mr. R. P. d'Ambrumenil. Grand Hotel, at 5.30 p.m.

February 6.—Debate. "Doubles are better than Singles." Grand Hotel, at 5.30 p.m.

February 13.—"Verification of Assets and Liabilities" and "Audit of a Limited Company," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Grand Hotel, at 4 p.m.

SOUTHAMPTON

January 29.—Students' Annual Dinner. Polygon Hotel, at 7 for 7.30 p.m.

February 26.—"Tax Losses including Partnership," by Mr. A. J. Turner, A.C.A., A.T.I.C. Students' meeting. The Royal Hotel, Cumberland Place, at 6.30 p.m.

STOCKTON-ON-TEES**Members' Meeting**

February 2.—"New Approach to Share Valuations," by Mr. T. A. Hamilton Baynes. Sparks Café, High Street, at 6 p.m.

Students' Meetings

January 22.—"The Stock Exchange and the

Capital Market," by Mr. C. R. Curtis, M.Sc., PH.D., F.C.I.S. Black Lion Hotel, at 6.15 p.m.

STOKE-ON-TRENT**Members' Meetings**

January 20.—Lecture to be given by Mr. E. L. Fairweather, Chief Examiner, Estate Duty Office, North Stafford Hotel, at 6 p.m.

February 10.—"The Electronics Computer," by Mr. R. A. Hitchcock, Divisional Organising Accountant, National Coal Board. North Stafford Hotel, at 6 p.m.

Students' Meetings

January 27.—Mock Company Meeting. Basford Lawn Tennis Club, at 6 p.m.

February 17.—Taxation lecture. Basford Lawn Tennis Club, at 6 p.m.

SUNDERLAND

January 22.—"Schedule D, Classes I and II," by Mr. R. G. Jennings, A.C.A. Students' meeting. The Museum Room, Sunderland Technical College.

SWANSEA**Members' Meetings**

February 3.—"Internal Auditing," by Mr. R. J. Gibbens, F.C.W.A. Joint meeting. Central Library, Alexandra Road, at 7 p.m.

February 10.—"Inside Russia Today," by Mr. Bernard Newman, F.R.S.A. Joint meeting. The Mackworth Hotel, at 6.45 p.m.

Students' Meetings

Students' meetings will be held at Lovell's Café, at 5.15 p.m.

January 22.—"Investments," by Mr. Aubrey Davis.

February 20.—"The Valuation of Shares based on a Company's Assets," by Mr. P. E. Whitworth.

TRURO

February 19.—"How the Secretariat of the Institute Functions," by Mr. A. S. MacIver, M.C., B.A. Meeting for members only, at 6.30 p.m.

Students' Meetings

February 19.—Demonstration of Hollerith Punched Card Accounting. Board Room, Mansion House, at 2.30 p.m.

February 19.—"The Institute," by Mr. A. S. MacIver, M.C., B.A., Committee Room, Town Hall, at 4.30 p.m.

WOLVERHAMPTON**Members' Meeting**

February 16.—"Some Aspects of Production Control," by a Management Consultant (Urwick, Orr & Partners Ltd.). Victoria Hotel, at 6 p.m.

Students' Meetings

February 4.—"Liquidation," by A. W. Sarson, F.C.A. Victoria Hotel, at 6 p.m.

February 18.—Works Visit.

YORK

January 21.—Members' Luncheon Meeting. De Grey Rooms, at 1 p.m.

Personal Notes

Mr. S. E. Davies, A.C.A., has taken up the appointment of secretary to Geo. & R. Dewhurst Ltd., Manchester.

Messrs. Mellor, Snape & Co., Chartered Accountants, Manchester, announce that Mr. A. A. Mottershead, A.C.A., and Mr. D. B. Snape, A.C.A., who have been on their staff for a number of years, have been admitted as partners at their Macclesfield practice. The name of the firm remains unchanged.

Mr. K. C. Rodley, A.C.A., has been appointed Deputy Chief Accountant of the Singapore Harbour Board.

Messrs. Alfred Shankland & Sons, Chartered Accountants, Cardiff, announce that they have admitted into partnership Mr. B. Shankland, A.C.A. The name of the firm remains unchanged.

Mr. G. A. Robinson, A.C.A., A.H.A., has taken up the appointment of Secretary to the Board of Governors and Chief Financial Officer of The National Hospitals for Nervous Diseases, London, W.C.1.

Mr. Ameeraly R. Kassim, A.C.A., has commenced public practice under the style of Ameer R. Kassim & Co., at Royalty House, Government Road, P.O. Box 7323, Nairobi, Kenya.

Messrs. Cassleton Elliott & Co. announce that they have taken into their London partnership Mr. F. G. Tombs, A.C.A., who has been with the firm for a number of years. Mr. F. R. W. Woods, F.C.A., has been admitted into their partnership in Ghana.

Messrs. Newton, Armstrong & Co., Chartered Accountants, London, E.C.2, announce that Mr. D. E. F. Green, M.B.E., F.C.A. (also of Messrs. Crew, Turnbull & Co., Chartered Accountants) and Mr. J. C. Durnin, F.C.A. (also of Messrs. Clark Battams & Co., Chartered Accountants) have joined them as partners. The practice otherwise continues unchanged.

Messrs. Turquand, Youngs & Co. (Far Eastern and Borneo firms) announce the admission as partners of Mr. B. R. Jillard, M.A., A.C.A. (Penang); Mr. R. N. Hill, A.C.A. (Kuala Lumpur); Mr. W. B. Bellam, A.C.A. (Singapore). Mr. G. A. Murphy, F.C.A., will retire shortly from the Eastern partnership, and Mr. B. R. Jillard will then be in charge of the Penang office.

Messrs. Peat, Marwick, Mitchell & Co. announce that following the regretted death of Mr. D. E. Batchelor, C.A., the senior partner in their West Riding partnership, the practice is being continued by the remaining partners.

Mr. C. H. F. Deeley, A.C.A., has been appointed a director of John Hill & Sons (Iron Founders) Ltd., Wolverhampton. He also continues as secretary to the company.

Messrs. Arthur Young & Co., New York, and Messrs. Henry Martin & Co., Montevideo, announce that they have formed an international partnership under the style of Arthur Young & Co. The head office will be at Soriano 791, Montevideo, Uruguay.

Messrs. Arthur Young & Co., Montevideo, have entered into an agreement with Messrs. Henry Martin & Co., Buenos Aires, whereby the latter firm will act as their professional representatives in Argentina.

Messrs. H. P. Gould & Son, Chartered Accountants, Norwich, announce that Mr. E. F. de Carle Smith, F.C.A., who has been a partner since 1921, has retired from the partnership, but continues to be available for consultation to ensure continuity of work. Mr. John Turner, who has been associated with them for some years, has been admitted to the partnership.

Mr. K. Clifford Cook, F.C.A., announces that he has continued in practice since May 1, 1958. The name of the firm is Cook & Co., of 87 Lord Street, Liverpool 2, and 47 Market Street, Manchester 1; and Mr. I. F. D. Hill, A.C.A., was admitted to partnership on May 1, 1958. Mr. G. K. Cook, F.C.A., remains available for consultation.

Neild, Son & Lees, of 47 Market Street, Manchester 1, announce that they have taken into partnership Mr. K. C. Cook, F.C.A., and Mr. I. F. D. Hill, A.C.A., of Cook & Co., Liverpool. Mr. Cook was in practice as a principal of Harwood Banner, Lewis & Mounsey for some nine years. Mr. R. R. Fieldhouse, F.C.A., who has been associated with the firm for thirty years, has retired from practice but continues as a consultant. Mr. E. P. Cosslett, A.C.A., has also retired from the firm to continue practice under the old name of Cosslett & Co., from the same address (47 Market Street Manchester 1). The practice of Neild, Son & Lees is therefore being carried on by Mr. K. C. Cook, F.C.A., Mr. E. Lockett, A.C.A., and Mr. I. F. D. Hill, F.C.A., as before and from the same address, with effect from October 1, 1958.

Messrs. Binder, Hamlyn & Co., Chartered Accountants, London, E.C.4, announce that Sir Bernhard Binder and Mr. R. Ashton Hamlyn, who have been in partnership together for forty years, have retired from the firm but continue to be available in a consultative capacity. The name of the firm remains unchanged. Mr. G. H. Vieler, A.C.A., a senior member of the staff, has been admitted into partnership. Mr. David Beale, A.C.A. (Aust.), and Mr. Brian Wing, A.C.A. (Aust.), have been admitted as partners in the Australian firm.

Messrs. Stothert & Chappell, Chartered Accountants, Bournemouth and Wimbome, have taken into partnership Mr. J. G. Pearson, A.C.A., who has been on their staff for twelve years. The name of the firm is unchanged.

Messrs. W. B. Keen & Co., Chartered Accountants, London, E.C.2, announce that they have admitted into partnership Mr. A. G. Stoughton-Harris, son of one of the present partners; Mr. Terence O'Sullivan who has been on their staff for many years; and Mr. J. C. Hunter, M.A., who served his articles with the firm.

Messrs. Barton, Mayhew & Co., and

Messrs. A. C. Palmer & Co., whilst continuing their separate practices, have made mutual arrangements for interchange of services at their various offices. Barton, Mayhew & Co. will, accordingly, practise from the Northampton and Leicester addresses of A. C. Palmer & Co., in addition to their offices elsewhere. The overseas offices of Barton, Mayhew & Co. will act as agents for A. C. Palmer & Co.

Messrs. Deloitte, Plender, Griffiths & Co. and Messrs. Robson, Morrow & Co. announce that, whilst their separate practices are continuing, they have formed a joint firm under the name of Deloitte, Plender, Robson, Morrow & Co. with offices at 5 London Wall Buildings, Finsbury Circus, London, E.C.2. The partners in the joint firm are Mr. W. G. Densem, F.C.A., Mr. R. T. M. McPhail, C.A., Mr. C. Romer-Lee, F.C.A., Mr. W. D. Turner, C.A. (of Deloitte, Plender, Griffiths & Co.) and Mr. L. W. Robson, F.C.A., F.C.W.A., Mr. F. T. Hunter, F.C.A., F.C.W.A., Mr. F. C. de Paula, F.C.A., F.C.W.A., Mr. W. H. Leather, F.C.A. (of Robson, Morrow & Co.).

Messrs. Knox, Cropper & Co. and Messrs. Gedge, Illott & McLeod have amalgamated their practices. The new firm is practising under the name of Knox, Cropper, Gedge & Co., at Spencer House, South Place, London, E.C.2.

The London practice of Wilson, de Zouche & Mackenzie has been amalgamated with that of Walker, Sclanders & Co. under the name of Wilson, de Zouche & Walker Sclanders, and will be carried on from 6 Queen Street, London, E.C.4 and 6 Union Street, London, S.E.1. All the partners in the two firms continue as partners in the new firm.

Messrs. James Meston & Co., Chartered Accountants, and Messrs. Wheawill & Sudworth, Chartered Accountants, have become associated. The London partners of each firm have been admitted to partnership in the other, and both have also admitted to partnership Mr. G. Holroyd, A.C.A. Both firms are now practising at 1 Leadenhall Street E.C.3, and Messrs. Wheawill & Sudworth remain also at 4 New Burlington Street, W.1.

Messrs. Jenks, Percival, Pidgeon & Co., Chartered Accountants, London, E.C.2, announce that Mr. M. A. B. Jenks, A.C.A., and Mr. G. H. Barnard, F.C.A., have been admitted into partnership.

Mr. Edgar W. Robson, A.C.A., has been appointed a director of G. & J. Stubley Ltd., Batley.

Messrs. Edward Thomas Peirson & Sons, Chartered Accountants, Coventry, London and Market Harborough, have admitted Mr. Alan W. Bentley, A.C.A., into the partnership at Market Harborough. The firm name is unchanged.

Mr. Alec Gillott, A.C.A., secretary of the Wolverhampton Metal Co. Ltd., has been appointed also a director.

Mr. Harold A. Quinton, A.C.A., has been appointed chief accountant to Dominion Steel and Coal Corporation Ltd., Canadian Steel-Graham Nail Division, Toronto.

Mr. Stanley W. Wright, A.C.A., director in charge of the London Wholesale group of Allied Bakeries Ltd., has been appointed regional director in charge of the Yorkshire region of the company.

Removals

Messrs. Bolton, Pitt & Breden, Chartered Accountants, have removed to Palmerston House, 51 Bishopsgate, London, E.C.2.

Messrs. Hay T. Louch & Co., Chartered Accountants, announce that they have moved their offices to 21 Norland Square, London, W.11.

Messrs. P. Mitchell & Co., Chartered Accountants, have changed their address to 133 Moorgate, London, E.C.2.

Messrs. George A. Touche & Co., Chartered Accountants, announce that they have moved their offices to 3 London Wall Buildings, London, E.C.2.

Messrs. M. Bier & Co., Chartered Accountants, have removed to 55 Hatton Garden, London, E.C.1.

Books Received

The Institute of Chartered Accountants of Scotland, Official Directory 1958. Pp. xiv+554. (*Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh, 2.*)

The National Finances 1958-59. Pp. vi+170. (*Canadian Tax Foundation, 154 University Avenue, Toronto 1, Canada: price not given.*)

Return of Outstanding Debt (England and Wales) as at March 31, 1958. Pp. 105. (*Institute of Municipal Treasurers and Accountants, London, S.W.1.*)

The 1958 Income Tax Legislation in the Federation of Rhodesia and Nyasaland. By A. S. Silke. Pp. 25. (*Sweet & Maxwell Ltd.: 14s. 9d. net.*)

The Malta Directory and Trade Index, 1958/59. Pp. 416. (*Malta Publicity Services Ltd.: price not given.*)

Purchase Tax. By A. T. Grieve, M.A., LL.B. Pp. x+208. (*Sweet & Maxwell Ltd.: 25s. net.*)

Principles and Practice of Commerce. By James Stephenson, M.A. Fifth edition by H. O. Beecheno, B.COM. Pp. xiv+674. (*Sir Isaac Pitman & Sons, Ltd.: 30s. net.*)

Tax Problems of the Family Company. By Milton Grundy. Second edition. Pp. viii+157. (*Sweet & Maxwell Ltd.: 17s. 6d. net.*) (The first edition was reviewed in ACCOUNTANCY for January, 1957, page 31.)

Income Tax Law and Practice. By Cecil A. Newport and H. G. S. Plunkett. Twenty-eighth edition. Pp. xli+464. (*Sweet & Maxwell Ltd.: 30s. net.*) (The twenty-seventh edition was reviewed in ACCOUNTANCY for April, 1957, page 184.)

Classified Advertisements

Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, 23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.

APPOINTMENTS REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Employers who have vacancies for members on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Institute's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Moorgate Place, London, E.C.2. Tel. Monarch 8506.

APPOINTMENTS VACANT

PORTSMOUTH GROUP HOSPITAL MANAGEMENT COMMITTEE

Applications are invited for a General Administrative Assistant in the Finance Department, to start on April 1 1959. Candidates should preferably have an accountancy qualification and experience of internal audit work in the hospital or public service would be an advantage.

Whitley Council Conditions of Service and National Health Service Superannuation Scheme. Salary will be in accordance with the assimilation into the General Administrative grade £750—£1,000 per annum. (New entrants commence at £644 and will reach maximum in eight years.)

Application forms obtainable from the undersigned should be completed and returned within three weeks of the appearance of this advertisement.

E. H. HURST,
Group Secretary.

Saint Mary's Hospital,
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ACCOUNTANTS required by **GOVERNMENT OF NORTHERN NIGERIA** for Ministry of Works on contract for one tour of 12/24 months in first instance. Commencing salary according to age, qualifications and experience in scale (including Inducement Addition) rising to £1,824 a year. For candidates possessing recognised professional accountancy qualification, entry point will be not less than £1,170 a year and for other candidates not less than £840 a year. Gratuity at rate £100/£150 a year. Clothing allowance £45. Free passages for officer and wife. Assistance towards children's passages and grant up to £288 yearly. Liberal leave on full salary. Candidates, between 23 and 45, must have at least five years' experience of accounting with local authority, public company, professional accountants, bank or government department. Preference given to candidates holding recognised professional accountancy qualification. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M3A/52306/AD.

THE REPUBLIC OF THE SUDAN

The Ministry of Education invite applications from those suitably qualified to fill vacancies of Senior Lecturers and Lecturers in Accountancy in the Department of Commerce, Khartoum Technical Institute.

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Candidates must be qualified Chartered, Incorporated or Certified Accountants. Those selected will be required to teach accountancy and related subjects to Final professional standards. Age limits 23-40.

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Applications should be made in writing, giving fullest particulars of age, qualifications and experience, together with copies of recent testimonials, to SUDAN EMBASSY, Personnel Section, Cleveland Row, St. James's, London, S.W.1.

Closing date 16th February, 1959.

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ALBRIGHT & WILSON (MFG.) LIMITED, Chemical Manufacturers, require an **ACCOUNTANT**, aged 20-25 years, in the Central Accounts Department at Oldbury. Duties include assisting in the preparation of accounts, collecting information for reports to management and routine accounting. Applications are invited from accountants recently qualified (A.C.A. or A.A.C.C.A.) or those expecting shortly to qualify, and who are engaged in the profession or in industry. Good prospects and starting salary. Apply, stating briefly age, qualifications and experience, to Mr. F. B. HUNT, Staff Officer (Ref. 525), Messrs. Albright & Wilson (Mfg.) Ltd., P.O. Box 3, Oldbury, nr. Birmingham.

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CHARTERED Accountants (Midlands) require Senior Audit Clerk, unqualified considered. House available. Pension scheme. Write with full details to Box No. 182, c/o ACCOUNTANCY.

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PRICE WATERHOUSE and Co. have vacancies for young qualified accountants who wish to acquire a wide and varied experience. Good starting salary and excellent prospects. Opportunities to transfer abroad in due course. Write to 3 Fredericks Place, Old Jewry, London, E.C.2.

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